

September 8, 2010

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES AND CP/STD PROGRAMME OF AVTEC LTD

Ratings Assigned

Facilities	Amount (Rs. cr)	Ratings ¹	Remarks
Long-term Bank Facilities	205.79	'CARE A-' (Single A Minus)	Revised from CARE BBB+
Short-term Bank Facilities	58.00	'PR2+' (PR Two Plus)	Revised from PR2
Commercial Paper (CP)/Short-term Debt (STD)*	25.00	'PR2+' (PR Two Plus)	Revised from PR2
Total Facilities	288.79		

* Carved out of working capital limits

Rating Rationale

The revision in the ratings takes into account the improvement in credit profile of Avtec Ltd (Avtec) emanating from improvement in revenue and profitability during FY10 and Q1FY11, comfortable gearing level, improved industry scenario and start of commercial operations from the Kharagpur unit. The ratings continue to derive comfort from experienced promoter group and management and established market position of the company. The ratings, however, are constrained by Avtec's dependency on a few clients in the past, inherent cyclical risks associated with the automobile industry as well as implementation risks pertaining to the ongoing projects.

Going forward, the ability of Avtec to sustain the improvement in profitability achieved in FY10 and Q1FY11, ramp up production at the Kharagpur unit along with timely and successful implementation of the ongoing projects shall be the key rating sensitivities.

Company Profile

Incorporated in 2005, Avtec is engaged in manufacturing and selling of Powertrain and its components to Original Equipment Manufacturers (OEMs) as well as the replacement market. The company is operating with two divisions, viz Power Unit Plant (PUP), Pithampur (Madhya Pradesh) and Power Product Division (PPD), Hosur (Tamil Nadu) with an installed capacity of 57,000 units pa and 2,200 units pa respectively as on March 31, 2010. During FY10, Avtec started commercial operations from the newly setup Kharagpur unit which will primarily supply to Tata Motors Ltd.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

During FY10, Avtec achieved net sales of Rs.435 cr (y-o-y growth of 10%) with PBILDT and PAT margin of 17.99% and 3.80% respectively vis-à-vis 12.72% and -0.11% respectively in FY09. As per the provisional results for Q1FY11, Avtec reported net sales of Rs.129 cr (y-o-y growth of 35%) with PBILDT and PAT margin of 21.73% and 8.89%.

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CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

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