KPS Tunes Up Auto Parts Maker

In the chaotic, deep suffering automotive space, KPS Special Situations Funds acquired the assets of auto parts makers Iron Mountain Industries and Jernberg out of bankruptcy in September 2005 and helped it turn profitable and generate more cash in the first month out of bankruptcy than it had in the previous year.

The companies broke down due to high raw materials prices and an uncompetitive cost structure. But during the bankruptcy process, KPS worked with lightning speed, breaking out its vise and nutdriver to bring the autoparts supplier out of Chapter 11 in a mere 55 days. KPS did all of its work in five weeks, erasing $40 million in liabilities in the process. The firm invested $23 million in equity and $8 million in interim financing to help pay for manufacturing equipment.

During the process, KPS negotiated 30 separate agreements with customers, vendors, lenders and lessors, including three collective bargaining agreements with the steelworkers’ union. KPS also got a loan from LaSalle Bank worth $37 million. KPS also secured a new CEO, COO and CFO for the company, which it renamed Hephaestus Holdings. KPS brought in former Metallyne executive George Thanopoulos to lead it going forward.

KPS’s Michael Psaros went on record in this publication at the time of that deal saying about the deal, “We believe that in chaos there is opportunity.” He added, “We see this as an opportune time to make targeted investments in the right areas of the automotive parts industry. The company is the third largest competitor in the North American forged parts industry.” Psaros said the size and the complexity of the parts Hephaestus provides helps insulate the industry from offshore competition.

New York-based KPS still holds the company. —M.C.

Excerpted from Buyouts, March 6, 2006 • 195 Broadway, 9th Floor, New York, NY 10007 • (646) 822-3043