

Press Release

GM Modular Private Limited (GMMPL)

09 February, 2017

Rating Upgraded

Total Bank Facilities Rated*	Rs.15.00 Cr
Long Term Rating	SMERA BBB/Stable (Upgraded from SMERA BBB-/Stable)

**Refer Annexure for details*

Rating Rationale

SMERA has upgraded the long-term rating on the Rs.15.00 crore bank facilities of GM Modular Private Limited (GMMPL) to **'SMERA BBB' (read as SMERA triple B)** from **'SMERA BBB-' (read as SMERA triple B minus)**. The outlook is **'Stable'**.

GMMPL was incorporated in June 1999 by Mr. Jayanth Jain and Mr. Ramesh Jain to manufacture electric products such as switches, sockets, cover plates, plug tops and travel adaptors. The company commenced operations in 2002.

The rating upgrade takes into account significant growth in revenues, profitability and healthy coverage indicators. Also, the company has diversified into new geographies - north and north east states of India.

List of key rating drivers and their detailed description

Strengths:

Long track record of operations and experienced management: GMMPL was incorporated in June 1999 and commenced operations in 2002. The promoters possess over a decades experience in the electrical industry.

Healthy financial risk profile: The ratings draw support from the long track record of operations, experienced management and healthy financial risk profile marked by revenue growth of Rs.169.18 crore in FY2016, as compared to Rs.107.40 crore in the previous year. The operating margin improved to 8.59 percent in FY2015-16 as compared to 6.91 per cent in FY2014-15. The company has moderate debt-to-equity at 1.65 times as on 31 March, 2016 against 0.74 times in FY2014-15. Moreover, the interest coverage ratio stood healthy at 2.66 times in FY2015-16 against 3.15 times in FY2014-15. The company has moderate liquidity (bank limit utilization of 78 per cent). The promoters infused capital of Rs.7.03 crore in FY2015-16 (including Rs.0.43 crore in equity and Rs.6.60 crore in share premium).

Weaknesses:

Susceptibility of profit margins to raw material prices: The profit margins are susceptible to fluctuations in the raw material prices of PVC powder, brass and others.

Working capital intensive business: GMMPL has working capital intensive business with high Gross Current Assets (GCA) days at 266 in FY2015-16 as compared to 247 days in FY2014-15.

Intense competition: The company faces intense competition from various players (domestic as well as overseas) which is likely to impact the operating performance and profitability.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the company.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that GMMPL will continue to maintain a stable outlook over the medium term owing to its established market position and experienced management. The outlook may be revised to 'Positive' in case the company registers sustainable revenue growth while maintaining profit margins or improvement in the working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile and liquidity position.

About the Rated Entity

The Maharashtra-based, GMMPL incorporated in June 1999 is engaged in the manufacture of electric products such as switches, sockets, cover plates among others. The company also trades in LED lights. GMMPL has a well-established brand – 'GM' apart from seven to eight sub brands including G-Magic and Four-Five. Around 10 per cent revenue of the company is derived from trading with the balance from manufacturing. The daily operations are managed by Mr. Jayanth Jain, Director and Mr. Ramesh Jain, Director.

For FY2015-16, the company reported profit after tax (PAT) of Rs.4.98 crore on operating income of Rs.169.18 crore, as compared with PAT of Rs.2.93 crore on operating income of Rs.107.40 crore in FY2014-15. The net worth stood at Rs.29.41 crore (including quasi equity of Rs.4.53 crore) as on 31 March, 2016 against Rs.24.05 crore (including quasi equity of Rs.11.12 crore) a year earlier.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amt. (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit* ^	LT	12.42	SMERA BBB/Stable (Upgraded from SMERA BBB-/Stable)	-	-	21 Sept, 2015	SMERA BBB-/Stable (Assigned)	-	-
Term Loan	LT	2.58	SMERA BBB/Stable (Upgraded from SMERA BBB-/Stable)	-	-	21 Sept, 2015	SMERA BBB-/Stable (Assigned)	-	-

* Overdraft and Cash credit of Rs. 18.00 crore is the sub limit of Cash Credit.

^Rs. 10.00 crore of Letter of credit (LC) and Buyers credit (BCU) is the sub limit of Cash Credit.

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit*^	N.A	N.A	N.A	12.42	SMERA BBB/Stable (Upgraded from SMERA BBB-/Stable)
Term Loan	N.A	N.A	N.A	2.58	SMERA BBB/Stable (Upgraded from SMERA BBB-/Stable)

* Overdraft and Cash credit of Rs. 18.00 crore is the sub limit of Cash Credit.

^Rs. 10.00 crore of Letter of credit (LC) and Buyers credit (BCU) is the sub limit of Cash Credit.

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in Pradeep Bharti, Rating Analyst, Tel: 011-49731301 Email: pradeep.bharti@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

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