

Press Release

Gujarat Craft Industries Limited (GCIL)

05 February, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 28.45 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

** Refer Annexure for details*

Rating Rationale

SMERA has assigned the long term rating of '**SMERA BB**' (read as **SMERA double B**) and **short term rating of 'SMERA A4+'** (read as **SMERA A four plus**) on the Rs. 28.45 cr. bank facilities of Gujarat Craft Industries Limited (GCIL). The outlook is '**Stable**'.

Gujarat based, GCIL was incorporated in 1984 and promoted by Mr. Ashok Chhajera, Mr. Rishab Chhajera and Mr. Kashyap Mehta. The company is engaged in manufacturing and export of woven sacks, fabrics, tarpaulins, plastic sheeting, geo-membrane etc. GCIL's plant is located in the Santej (Kalol) industrial area of Gandhinagar in Gujarat with production capacity 1200 MT per month.

Key rating drivers

Strengths

Established track record of operations and experienced management

Gujarat Craft Industries Limited is promoted by Mr. Ashok Chhajera, Mr. Rishab Chhajera, and Mr. Kashyap Mehta among others. The promoters have collectively industry experience of over a decade in plastic industry and have developed healthy relations with customers and suppliers.

Moderate financial risk profile

The financial risk profile of GCIL is moderate marked by net worth of Rs.32.34 crore as on 31 March, 2017 as compared to Rs.31.34 crore as on 31 March, 2016. The net worth includes Quasi Equity of Rs.15.01 crore as on 31 March 2017. Gearing stood at 0.67 times as on 31 March, 2017 as compared 0.77 times as on 31 March, 2016. The total debt of Rs.36.67 crore consists of term loan of Rs.3.63 crore and unsecured loan of Rs.15.08 and working capital limits of Rs.15.95 crore. Interest coverage ratio stood at 2.16 times for FY2016-17 as compared to 1.90 times for FY2015-16. Further, DSCR stood at 1.12 times for FY2016-17. TOL/TNW stood high at 3.83 times for FY2016-17. Further, SMERA believes the financial risk profile of the company will remain moderate in absence of major debt funded capex.

Weaknesses

Working capital intensive nature

GCIL operates in a working capital intensive nature of business marked by high Gross Current Asset (GCA) days of 211 for FY2016-17 as compared to 157 for FY2015-16. The increase in GCA is majorly on account of elongated inventory and debtor days which stood at 92 and 119 respectively for FY2016-17.

Susceptibility of revenues and profits to volatility in raw material prices

The operating margins are susceptible to movement in raw material prices which are linked to fluctuations in crude prices. There has been fluctuation on company's EBITDA margins which stood at 7.18 per cent for FY2016-17 as compared to 6.85 per cent for FY2015-16. Further, EBITDA stood at 7.49 per cent for FY2014-15.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of GCIL to arrive at the rating.

Outlook – Stable

SMERA believes that GCIL will maintain a stable outlook over the medium term owing to its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case of substantial increase in scale of operations while achieving better profit margins. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the projected scalability in revenues amidst intensifying competition in its area of operations or deterioration in the financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	97.41	116.49	89.87
EBITDA	Rs. Cr.	7.00	7.98	6.73
PAT	Rs. Cr.	1.48	1.34	0.84
EBITDA Margin	(%)	7.18	6.85	7.49
PAT Margin	(%)	1.52	1.15	0.93
ROCE	(%)	9.32	10.11	15.12
Total Debt/Tangible Net Worth	Times	2.12	2.50	3.41
PBDIT/Interest	Times	2.16	1.90	1.91
Total Debt/PBDIT	Times	5.19	4.95	7.20
Gross Current Assets (Days)	Days	228	177	256

Any other information:

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Status of non-cooperation with previous CRA (if applicable):

None

Rating History (Upto last three years)

Not Applicable

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	Not Applicable	Not Applicable	Not Applicable	15.95	SMERA BB/ Stable
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	12.50	SMERA A4+

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations Tel: +91-22-6714 1190 Email: vinayak.nayak@smera.in Vishal Choudhary, Rating Analyst, Tel: +91-22-6714 1159 Email: vishal.choudhary@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

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