

Press Release

Gujarat Craft Industries Limited

January 03, 2019

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs. 33.91 crore (Enhanced from Rs.28.45 crore)
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the bank facilities of the Rs. 32.50 crore of Gujarat Craft Industries Limited (GCIL). The outlook is '**Stable**'.

Further, Acuite has assigned short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the proposed bank facilities of Rs. 1.41 crore of GCIL.

Gujarat based, GCIL was incorporated in 1984 and promoted by Mr. Ashok Chhajer, Mr. Rishab Chhajer 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.

Analytical Approach

Acuite has considered the standalone financial and business risk profiles of GCIL to arrive at the ratings.

Key Rating Drivers

Strengths

Experienced Management

Gujarat Craft Industries Limited is promoted by Mr. Ashok Chhajer, Mr. Rishab Chhajer, and Mr. Kashyap Mehta among others. The promoters have collectively industry experience of over a decade in plastic industry. The promoters have been able to forge long term relations with customers and suppliers.

Moderate Financial Risk Profile

The financial risk profile of GCIL is moderate marked by tangible net worth (after adjusting revaluation reserve) of Rs.22.95 crore as on 31 March, 2018 as compared to Rs.21.24 crore as on 31 March, 2017. Gearing stood at 1.68 times as on 31 March, 2018 as compared 1.69 times as on 31 March, 2017. The total debt of Rs.38.58 crore consists of term loan of Rs.3.63 crore and unsecured loan of Rs.14.92 and working capital limits of Rs.20.03 crore. Interest coverage ratio stood at 1.82 times for FY2018 as compared to 1.90 times for FY2017. Further, DSCR stood at 1.23 times for FY2018. TOL/TNW stood high at 2.88 times for FY2018. Further, ACUITE believes the financial risk profile of the company will remain moderate in absence of major debt funded capex.

Weaknesses

Stretched working capital cycle

The company has been operating in a stretched working capital nature of operations marked by Gross Current Asset (GCA) days of 182 for FY2018 as against 227 days for FY2017. GCIL has been managing its

working capital cycle at 90-120 days. It extends credit of 45 days to its customers with advances of around 10%; however has to make payments immediately for its purchases. The company holds inventory of around 60-90 days. The average utilization of its working capital facilities is high at ~90%.

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 6.12 per cent for FY2018 as compared to 7.16 per cent for FY2017. Further, EBITDA stood at 6.85 per cent for FY2016.

Outlook: Stable

ACUITE 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	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	130.21	97.41	116.49
EBITDA	Rs. Cr.	7.96	6.98	7.98
PAT	Rs. Cr.	1.71	1.22	1.34
EBITDA Margin	(%)	6.12	7.16	6.85
PAT Margin	(%)	1.31	1.26	1.15
ROCE	(%)	10.37	9.32	10.11
Total Debt/Tangible Net Worth	Times	1.68	1.69	2.50
PBDIT/Interest	Times	1.82	1.90	1.90
Total Debt/PBDIT	Times	4.76	4.99	4.95
Gross Current Assets (Days)	Days	182	227	177

Note: The FY2017 figures are restated as per IND AS

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
29-Jun-2018	Cash Credit	Long Term	15.95	ACUITE BB (Assigned)
	Letter of Credit	Short Term	12.50	ACUITE A4+ (Assigned)

Cash Credit includes sublimit of EPC/FBD/PCFC of Rs. 16.00 crore.

Letter of Credit includes sublimit of Bank Guarantee of Rs.2.50 crore.

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BB/Stable (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	12.50	ACUITE A4+ (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	1.41	ACUITE A4+ (Assigned)

Cash Credit includes sublimit of EPC/FBD/PCFC of Rs. 16.00 crore.

Letter of Credit includes sublimit of Bank Guarantee of Rs.2.50 crore.

Contacts

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About Acuite Ratings & Research:

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