

Press Release

Gujarat Craft Industries Limited

March 16, 2020

Rating Withdrawn



Total Bank Facilities Rated*	Rs. 33.91 Cr.
Long Term Rating	ACUITE BB (Withdrawn)
Short Term Rating	ACUITE A4+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuite has withdrawn the long term rating of '**ACUITE BB**' (read as **ACUITE double B**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the above mentioned bank facilities of Rs. 33.91 crore for Gujarat Craft Industries Limited (GCIL). This rating is now withdrawn and is based on best available information.

The rating is being withdrawn on account of request received from the company and NOC received from the banker.

Gujarat based, GCIL was incorporated in 1984 and promoted by Mr. Ashok Chhajjer, Mr. Rishab Chhajjer 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 business and financial risk profile of GCIL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

Gujarat Craft Industries Limited is promoted by Mr. Ashok Chhajjer, Mr. Rishab Chhajjer, 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 of Rs.35.28 crore as on 31 March, 2019 as compared to Rs.34.03 crore as on 31 March, 2018. Gearing stood at 0.95 times as on 31 March, 2019 as compared 1.13 times as on 31 March, 2018. The total debt of Rs.33.38 crore consists of term loan of Rs.1.91 crore and unsecured loan of Rs.3.20 and working capital limits of Rs.28.27 crore. Interest coverage ratio stood at 1.83 times for FY2019 as compared to 1.82 times for FY2019. TOL/TNW stood at 1.80 times as on 31 March 2019 as against 2.05 times as on 31 March 2018.

Weaknesses

- **Working capital intensive operations**

The company has been operating in a stretched working capital nature of operations marked by Gross Current Asset (GCA) days of 159 for FY2019 as against 182 days for FY2018. The inventory period at 71 days for FY2019 and previous year. The debtor days have slightly improved to 75 days in FY2019 over 88 days in FY2018.

• **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 EBIDTA margins which stood at 5.46 per cent for FY2019 as compared to 6.12 per cent for FY2018. Further, EBIDTA stood at 7.18 per cent for FY2017.

Liquidity Profile: Stretched

The company has stretched liquidity marked by moderate net cash accruals against no debt obligations. The company generated cash accruals of Rs. 3.05 crore for FY2019 against debt obligations of Rs.1.68 crore for the same period. The company has working capital intensive operations marked by high GCA days of 159 days for FY2019. The company maintains unencumbered cash and bank balances of Rs. 0.04 crore as on 31 March, 2019. The current ratio stood at 1.13 times as on 31 March, 2019.

Rating Sensitivities

Not Applicable

Any Material Covenants

None

Outlook

Not Applicable

About the Rated Entity - Key Financials

Particulars	Unit	FY2019	FY2018
Operating Income	Rs. Crore	139.52	130.21
Profit after tax (PAT)	Rs. Crore	1.28	1.71
PAT margin	%	0.91	1.31
Total debt / Tangible Net worth	Times	0.95	1.13
PBDIT / Interest	Times	1.83	1.82

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
03-Jan-2019	Cash Credit	Long Term	20.00	ACUITE BB / Stable (Reaffirmed)
	Letter of Credit	Short Term	12.50	ACUITE A4+ (Reaffirmed)
	Proposed Bank Facility	Short Term	1.41	ACUITE A4+ (Reaffirmed)
29-Jun-2018	Cash Credit	Long Term	15.95	ACUITE BB / Stable (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 (Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	12.50	ACUITE A4+ (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.41	ACUITE A4+ (Withdrawn)

Contacts

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About Acuité Ratings & Research:

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