

**Press Release**  
**GUJARAT CRAFT INDUSTRIES LIMITED**  
**August 21, 2024**  
**Rating Reaffirmed**



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term
Bank Loan Ratings	36.90	ACUITE BBB-   Stable   Reaffirmed	-
Bank Loan Ratings	18.10	-	ACUITE A3+   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	55.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of 'ACUITE BBB-' (read as ACUITE triple B minus) and short-term rating of 'ACUITE A3+' (read as ACUITE A three plus) on the Rs. 55.00 crore bank facilities of Gujarat Craft Industries Limited (GCIL). The outlook is 'Stable'.

**Rationale for rating**

The rating reaffirmation factors in GCIL's established track record of operations of almost 4 decades in this line of business along with experienced management. Further, it factors in the healthy financial risk profile of the company with a gearing of below unity as on March 31st, 2024 and comfortable debt protection metrics with debt service coverage ratio of 1.81 times as on March 31st, 2024. The scale of operations improved in FY 2024 at Rs 175.56 Cr. as against Rs 164.33 Cr. in FY 2023. However, the same declined in Q1FY25 to Rs.39.27 Cr. from Rs.53.62 Cr. in Q4FY24 on account of lower exports as the company could not secure sufficient containers required for the exports. The management expects the revenue to grow from Q2FY25 onwards.

The EBIDTA margins have improved to 6.27% in FY 2024 as compared to 5.53% in FY 2023. Further, it improved to 6.42% in Q1FY25. However, the above-mentioned strength are partly offset by working capital intensive nature of operations with high GCA days of 165 days in FY 2024. Further, the rating is constrained by susceptibility of profitability to fluctuation in raw material prices.

**About the Company**

Gujarat Craft Industries Private Limited was established in 1984 as a Public Limited Company listed on the Bombay Stock Exchange. GCIL is a vertically integrated, manufacturer and exporter of PP/HDPE-coated woven products. The company maintains stringent international quality standards and are ISO 9001:2015 certified, thereby deriving most of their revenue from international markets. Company's diverse product line includes Flexible Intermediate Bulk Containers (FIBCs)/ Bulk bags [Big Bags], PP/HDPE Woven Fabrics, Woven Sacks, BOPP Bags, PE Tarpaulins, Plastic Sheeting, HDPE Geo-membranes, Vermicomposting beds and Fumigation covers. GCIL is promoted by Mr. Ashok Chhajer, Mr. Rishab Chhajer and Mr. Kashyap Mehta.

**Unsupported Rating**

Not Applicable

## Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Gujarat Craft Industries Limited to arrive at the rating.

### Key Rating Drivers

#### Strengths

##### Established track record of operations and experienced management

GCIL has an established track record of operations dating back almost four decades, along with experienced management. The company is promoted by Mr. Ashok Chhajer, Mr. Rishab Chhajer and Mr. Kashyap Mehta. The promoters and management of the company have experience of over four decades in the industry which reflected in the growing scale of operations. The experience of the promoters have helped the company to maintain a longstanding relationship with its customers and suppliers. The company was able to achieve a revenue of Rs 175.56 Cr. in FY2024 against Rs.164.33 Cr. in FY2023 . Acuité believes that the long operational track record coupled with the experience of the management will continue to benefit GCIL going forward, resulting in steady growth in the scale of operations.

##### Healthy financial risk profile

The financial risk profile of GCIL is healthy, marked by moderate tangible net worth, low gearing level and comfortable debt protection metrics. The tangible net worth of the company stood at Rs. 60.07 Cr. as on March 31, 2024, as against Rs. 37.02 Cr. as on March 31, 2023. The net worth is adjusted for revaluation reserves and increase in net worth is due to accumulations of profits to reserves. The company follows a conservative financial risk policy reflected through its peak gearing of 1.30 times as on March 31, 2021. The gearing ratio of the company has improved and stood at 0.83 times as on March 31, 2024 as compared to 0.89 times as on March 31, 2023. The total outside liabilities to tangible net worth (TOL/TNW) stood at 1.31 times as of March 31, 2024 as compared to 1.46 times as on March 31, 2023. Further, debt protection metrics stood comfortable with debt service coverage ratio and interest coverage ratio of 1.81 times and 3.08 times respectively in FY2024.

#### Weaknesses

##### Working capital-Intensive nature

The working capital management of the company is intensive marked by GCA days of 165 days in FY24 as against 133 days in FY23. The company maintains inventory levels of around 99 days in FY24 as against 78 days for FY23. The Debtor days stood at 53 days in FY24 as against 48 days for FY23. Furthermore, the creditor days stood at 56 days in FY24 as against 31 days in FY23. The working capital gap is funded by working capital borrowings from Bank. GCIL has moderate reliance on the short-term bank financing, average utilization of Cash Credit is around 66 percent in last six months ended November 2023 for the working capital limit sanctioned for Rs. 25 Cr. of SBI Bank and Rs. 7 Cr. of HSBC Bank. Acuite believes that the working capital operations of GCIL may continue to remain intensive considering the nature of the business.

##### Susceptibility of margins to raw material price fluctuation and foreign exchange fluctuation risk

As GCIL is engaged in the manufacturing of FIBC bags, the major raw materials required to manufacture such products are polypropylene granules and low-density polyethylene, which are derivatives of crude oil, and the prices of crude oil are directly affected by various

macroeconomic factors. Similarly, the prices of such raw materials are also volatile in nature, and such fluctuations in the major raw material prices may impact the operating profit margin of the company. Furthermore, the company also deals in exports to various countries across the globe, which contribute around 35-40 percent to the total revenues in FY2023 and FY2022. As a result, the company's business is exposed to fluctuations in foreign exchange rates. However, such risks are mitigated to some extent due to the hedging policies adopted by the company.

### Rating Sensitivities

- Increase in scale of operation along with operating profitability.
- Further elongation of working capital cycle.
- Impact on profitability if unable to pass on increasing raw material cost.

### Liquidity Position Adequate

The company's liquidity position is adequate, marked by sufficient net cash accruals against the maturing debt obligations. The company has generated net cash accruals in of Rs 6.55 crore in FY2024 against its maturing repayment obligations of Rs. 1.98 crore in the same tenure. Further, the company is expected to generate sufficient cash accruals to repay its debt obligation in near to medium term. However, the working capital management of the company is intensive marked by GCA days of 165 days in FY2024 as against 133 days in FY2023. The current ratio stands at 1.49 times as on March 31, 2024, as against 1.92 times as on March 31, 2023.. Acuite believes that liquidity position of the company may continue to remain adequate backed by steady cash accruals.

### Outlook: Stable

Acuite believes the outlook on GCIL will continue to remain 'Stable' over the medium term backed by its long track record of operations and experienced management along with healthy financial risk profile. The outlook may be revised to 'Positive' if the company is able to successfully acquire higher orders which will lead to significant improvement in scale of operations and the profitability margins while also improving its working capital operations. Conversely, the outlook may be revised to 'Negative' in case of any operating inefficiency by GCIL leading to deterioration in revenue and profitability along with financial risk profile and liquidity position of the company.

### Other Factors affecting Rating

None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	175.56	164.33
PAT	Rs. Cr.	3.03	3.47
PAT Margin	(%)	1.73	2.11
Total Debt/Tangible Net Worth	Times	0.83	0.89
PBDIT/Interest	Times	3.08	3.55

### 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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Jun 2024	Packing Credit	Long Term	16.00	ACUITE BBB-   Stable (Reaffirmed)
	Secured Overdraft	Long Term	7.00	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	9.00	ACUITE BBB-   Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	2.55	ACUITE BBB-   Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	1.08	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	1.27	ACUITE BBB-   Stable (Reaffirmed)
	Letter of Credit	Short Term	14.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	2.50	ACUITE A3+ (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	1.50	ACUITE A3+ (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	0.10	ACUITE A3+ (Reaffirmed)
04 Mar 2024	Letter of Credit	Short Term	14.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	2.50	ACUITE A3+ (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	1.50	ACUITE A3+ (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	0.10	ACUITE A3+ (Reaffirmed)
	Secured Overdraft	Long Term	7.00	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	9.00	ACUITE BBB-   Stable (Reaffirmed)
	Packing Credit	Long Term	16.00	ACUITE BBB-   Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	2.55	ACUITE BBB-   Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	1.08	ACUITE BBB-   Stable (Reaffirmed)
29 Jan 2024	Cash Credit	Long Term	9.00	ACUITE BBB-   Stable (Assigned)
	Packing Credit	Long Term	16.00	ACUITE BBB-   Stable (Assigned)
	Working Capital Term Loan	Long Term	2.55	ACUITE BBB-   Stable (Assigned)
	Covid Emergency Line.	Long Term	1.08	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	1.27	ACUITE BBB-   Stable (Assigned)
	Secured Overdraft	Long Term	7.00	ACUITE BBB-   Stable (Assigned)
	Proposed Long Term Bank	Long		ACUITE BBB-   Stable

	Facility	Term	18.10	(Assigned)
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## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.50	ACUITE A3+   Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9.00	ACUITE BBB-   Stable   Reaffirmed
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	01 Dec 2025	Simple	1.08	ACUITE BBB-   Stable   Reaffirmed
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	14.00	ACUITE A3+   Reaffirmed
State Bank of India	Not avl. / Not appl.	Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	16.00	ACUITE BBB-   Stable   Reaffirmed
State Bank of India	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.50	ACUITE A3+   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.10	ACUITE A3+   Reaffirmed
HSBC	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.00	ACUITE BBB-   Stable   Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	05 Nov 2024	Simple	1.27	ACUITE BBB-   Stable   Reaffirmed
State Bank of India	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	05 Dec 2026	Simple	2.55	ACUITE BBB-   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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