

Goal Closures: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Open Cash Credit	10.00	SMERA BBB-/Stable (Assigned)
Inland Letter of Credit/Foreign Letter of Credit	2.00	SMERA A3 (Assigned)

SMERA has assigned long term rating of **SMERA BBB- (read as SMERA triple B minus)** to the Rs.10.00 crore bank facility and short term rating of **'SMERA A3' (read as SMERA A three)** to the Rs.2.00 crore bank facility of Goal Closures (GC). The outlook is **'Stable'**.

The ratings derive comfort from the moderate financial risk profile marked by low gearing and comfortable coverage indicators. The ratings also factor in the reputed client base. However, the ratings are constrained by the modest scale of operations and moderate profitability indicators. The ratings also note the exposure of the firm's profitability to customer concentration risk.

GC manufactures aluminium caps used in the liquor and pharmaceutical industries. SMERA takes into account the low gearing of 0.77 times as on 31 March, 2016 against 0.56 times as on 31 March, 2015. The net worth of the firm remained stagnant at Rs.13.77 crore on 31 March, 2016 against Rs.13.38 crore on 31 March, 2015. The interest coverage ratio is comfortable at 3.21 times in FY2015-16 against 2.36 times in the previous year. The ratings also factor in the reputed clientele that includes market leaders in the pharmaceutical industry.

However, the firm's revenues are modest at Rs.72.74 crore in FY2016 against Rs.63.52 crore in FY2015. Notwithstanding the improvement in operating profit margin to 5.26 per cent in FY2016 against 3.66 per cent in FY2015, the profitability indicators continue to remain moderate on account of the limited value addition by the firm and exposure to volatility in aluminium prices. The firm is however, exposed to significant customer concentration risk with 49 per cent revenue being generated from its largest client.

Outlook: Stable

SMERA believes that GC will maintain a stable outlook in the medium term on account of its experienced management and prudent capital structure. The outlook may be revised to 'Positive' in case of sustained increase in scale of operations along with substantial improvement in profitability indicators. Conversely, the outlook may be revised to 'Negative' in case of significant increase in gearing coupled with marked deterioration in the debt protection metrics.

Rating Sensitivity Factors

- Movement in profitability indicators
- Sustained improvement in scale of operations

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Firm

GC, established as a partnership firm in 2007 by Mrs. R. Vichitra and Mr. V. Ponnusamy is engaged in the manufacture of aluminium caps used in the liquor and pharmaceutical industries. The installed capacity is 150 crore caps per year. The average capacity utilisation of the firm stands at ~88 per cent in FY2016. The manufacturing facilities are located at Coimbatore.

The firm reported Profit After Tax (PAT) of Rs.2.20 crore in FY2016 on operating income of Rs.72.74 crore against PAT of Rs.0.94 crore in FY2015 on operating income of Rs.63.52 crore.

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ABOUT SMERA

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