Press Release

23 October, 2017

Goal Closures (GC)

Rating Assigned and Reaffirmed

Total Bank Facilities Rated *	Rs. 33.50 Cr
Long Term Rating	SMERA BBB-/ Outlook: Stable
Short Term Rating	SMERA A3

 # Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of **'SMERA BBB-' (read as SMERA triple B minus)** on the Rs.20.00 crore bank facilities and short term rating of **'SMERA A3' (read as SMERA A three)** on Rs. 2.90 crore bank facility of Goal Closures (GC). SMERA has also assigned long-term rating of **'SMERA BBB-' (read as SMERA triple B minus)** on the Rs.2.67 crore bank facility and short term rating of **'SMERA A3' (read as SMERA A three)** on the Rs.7.93 crore facilities. The outlook is **'Stable'**.

Established as a partnership firm in 2007 by Mrs. R. Vichitra and Mr. V. Ponnuswamy, GC is engaged in the manufacture of aluminium caps used in the liquor and pharmaceutical industries. The firm has an installed capacity of 150 crore caps per year with manufacturing facilities located at Coimbatore. The average capacity utilisation of the firm stood at ~90 per cent in FY2017.

Key Rating Drivers

Strengths

Experienced management

The firm was promoted by Mr. V. Ponnuswamy and Mrs. R. Vichitra who possess over two decades of experience in the non–ferrous metal industry. The promoters have been able to forge long term relations with customers and suppliers.

Reputed customers and supplier

The extensive experience of the management has helped the firm maintain healthy relations with reputed customers and suppliers. The firm caters to Reckitt Benckiser, Apex Pharma, Biocon and Sun Pharma. The suppliers are Balco, Hindalco, Jindal Steel among others.

Healthy financial risk profile and improvement in margins

The financial risk profile of GC is healthy marked by networth of Rs.22.72 crore as on 31 March, 2017 (Provisional) as compared to Rs.13.77 crore as on 31 March, 2016. The gearing (debt-equity) stood healthy at 0.67 times as on 31 March, 2017 (Provisional) as compared to 0.77 times as 31 March, 2016. The total debt of Rs.15.20 crore as on 31 March 2017 (Provisional) majorly comprises working capital facility of Rs.14.61 and term loan of Rs.0.59 crore. The interest coverage ratio stood at 3.57 times for FY2016-17 (Provisional) as compared to 3.21 times for FY2015-16. The NCA/TD stood at 0.24 times for FY2016-17 (Provisional). The EBIDTA margin improved to 5.89 per cent in

FY2016-17 (Provisional) from 5.26 per cent in FY2015-16. Further, the net profit margin improved from 3.03 per cent in FY2015-16 to 3.76 per cent in FY2016-17 (Provisional).

SMERA believes that GC will sustain its healthy financial risk profile on the back of moderate cash accruals in the absence of debt funded capex plans in FY2017-18.

Healthy revenue growth

GC has reported healthy CAGR of 18.02 per cent for the period under study. The firm achieved revenue of Rs. 86.57 crore for FY2016-17 (Provisional) compared to Rs. 72.74 crore for FY2015-16. Further, GC continues to receive orders from customers which provide moderate revenue visibility over the medium term.

Weaknesses

Working capital intensive business

The operations are working capital intensive marked by Gross Current Asset days of 136 for FY2016-17 (Provisional) compared to 109 for FY2015-16. The increase in GCA days is majorly on account of elongated debtor days of 97 for FY2016-17 (Provisional). The increase in debtor days is due to change in the firm's receivable policy from 60 days to 90 days. The cash credit limit has been fully utilised for the last three months ending August, 2017.

Partnership constitution

GC's financial risk profile is susceptible to the inherent risk of capital withdrawal considering its partner constitution. However, SMERA has not observed the same during the period under study.

Analytical Approach

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

Outlook: Stable

SMERA believes that GC will maintain a stable risk profile over the medium term on account of its prudent capital structured and healthy market position. 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 debt protection metrics.

About the Rated Entity - Key Financials

The firm reported Profit after Tax (PAT) of Rs. 3.25 crore on operating income of Rs. 86.57 crore in FY2016-17 (Provisional) compared to PAT of Rs. 2.20 crore on operating income of Rs. 72.74 crore in the previous year. The net worth stood at Rs. 22.72 crore as on 31 March, 2017 (Provisional) as against Rs. 13.77 crore in the previous year.

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

None

Any other information

None

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

Rating History (Upto last three years)

Date	Name of Instrument/Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
29-Nov, 2016	Open Cash Credit	Long Term	10.00	SMERA BBB- / Stable (Assigned)
	Inland Letter of Credit / Foreign Letter of Credit	Short Term	2.00	SMERA A3 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Open Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00^	SMERA BBB-/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.67	SMERA BBB- / Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.59	SMERA A3 (Assigned)
One Time Letter of Credit	Not Applicable	Not Applicable	Not Applicable	6.34	SMERA A3 (Assigned)
Inland Letter of Credit / Foreign Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.90$	SMERA A3 (Reaffirmed)

^Enhanced from Rs. 10.00 crore
$Enhanced from Rs. 2.00 crore

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ABOUT SMERA

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