

Press Release

Goal Closures

October 22, 2019



Rating Reaffirmed and Withdrawn

Total Bank Facilities Rated*	Rs. 27.85 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A3 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short-term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs. 27.85 crore bank facilities of Goal Closures (GC). The outlook is '**Stable**'. Acuité has withdrawn the short-term rating on the Rs.5.65 crore bank facilities of the firm.

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.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the GC for arriving at the rating.

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 extensive experience of promoters has helped the firm to forge long-term relations with customers and suppliers. GC's clientele include reputed companies like Reckitt Benckiser, United Spirits to name a few.

Acuité believes GC will continue to benefit from experienced partners that will help to maintain long-term relations with customers and suppliers.

- **Improvement in scale of operations and profitability**

The firm's scale of operations has grown from Rs.86.57 crores in FY2017 to Rs.136.09 crores in FY2019. This was primarily due to addition of new customers in FY2018 and repetitive orders from the existing customers. Further, the firm's operating profitability has also improved from 6.14 per cent in FY2017 to 10.62 per cent in FY2019 due to improvement in scale of operations.

- **Comfortable financial risk profile**

The firm has a comfortable financial risk profile marked by moderate net worth, comfortable gearing (debt to equity ratio) and moderate debt protection metrics. Gearing is comfortable at 0.81 times as on 31 March 2019 as against 1.12 times as on 31 March 2018. Gearing has improved due to reduction in working capital limits. The networth stood at Rs.27.03 crores while total debt stood at Rs. 21.93 crores. The total debt consists of Rs.17.74 crore cash credit limit and Rs.4.18 crores term loans. Debt protection metrics of interest coverage ratio (ICR) and debt service coverage ratio (DSCR) are moderate at 2.88 times and 2.32 times respectively in FY2019. TOL/TNW is comfortable at 1.21 times as on 31 March 2019 as against 1.33 times as on 31 March 2018. Debt/EBITDA improved to 1.51 times in FY2019 from 2.47 times in FY2018 indicating improvement in operating performance of the firm.

Acuité believes that, financial risk profile is expected to be comfortable owing to improving operating performance, low gearing and absence of any major debt funded capital expenditure.

Weaknesses

• Customer concentration

The company faces high customer concentration risk. Its major customer is Reckitt Benckiser, which accounts for almost 45 per cent of the total revenues in FY2019 and FY2018. The high customer concentration renders the revenue growth and profitability susceptible to the growth plans, procurement and credit policies of its key customers.

• Moderate working capital management

The working capital operations of the firm are moderate marked by GCA days of 122 in FY2019 against 145 days in FY2018. This is mainly due to credit period of 3 months provided to customers. The firm's inventory management has improved. Inventory days stood at 42 in FY2019 against 61 in FY2018. The debtor days stood at 77 in FY2019 against 82 in FY2018.

• Partnership constitution of business

There is risk of capital withdrawal owing to partnership constitution of business following which the firm may have to rely more on external funding.

Rating Sensitivities

- Stretch in working capital cycle leading to increase in working capital borrowing and weakening of financial risk profile.
- Further improvement in the scale of operations and profitability margins over the near to medium term.

Material Covenants

None

Liquidity Position: Adequate

The liquidity of GC is adequate marked by net cash accruals in the range of Rs. 3.00 crore to Rs.6.00 crore over the past three years against repayment obligations of less than Rs.1.00 crore. The working capital operations of the firm are moderate as evident by GCA days of 122 in FY2019. The working capital limits in the firm remained utilised at around 91 per cent during last eight months ended August 2019. The firm maintains unencumbered cash and bank balances of Rs. 0.01 crore as on March 31, 2019. The current ratio stood at 1.56 times as on March 31, 2019.

Outlook: Stable

Acuité believes that the outlook on the firm will remain 'Stable' over the medium term on account of the promoters' extensive experience and established presence in the industry. The outlook may be revised to 'Positive' in case the company registers significant growth in its revenue and profitability, while effectively managing its working capital cycle. The outlook may be revised to 'Negative' in case of significantly lower than expected net cash accruals or elongation in the working capital cycle; thereby resulting in deterioration in the financial risk profile or debt protection metrics of the company.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	136.09	132.77	86.57
EBITDA	Rs. Cr.	14.45	12.16	5.32
PAT	Rs. Cr.	5.33	5.17	3.25
EBITDA Margin	(%)	10.62	9.16	6.14
PAT Margin	(%)	3.92	3.89	3.76
ROCE	(%)	24.86	23.97	15.73
Total Debt/Tangible Net Worth	Times	0.81	1.12	0.67
PBDIT/Interest	Times	2.88	3.50	3.23
Total Debt/PBDIT	Times	1.51	2.47	2.86
Gross Current Assets (Days)	Days	122	145	159

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
03-Dec-2018	Cash Credit	Long Term	20.00	ACUITE BBB- (Indicative)
	Term Loan	Long Term	2.67	ACUITE BBB- (Indicative)
	Bank Guarantee	Short Term	1.59	ACUITE A3 (Indicative)
	One Time Letter of Credit	Short Term	6.34	ACUITE A3 (Indicative)
	Letter of Credit	Short Term	2.90	ACUITE A3 (Indicative)
23-Oct-2017	Cash Credit	Long Term	20.00	ACUITE BBB- / Stable (Reaffirmed)
	Term Loan	Long Term	2.67	ACUITE BBB- / Stable (Assigned)
	Bank Guarantee	Short Term	1.59	ACUITE A3 (Assigned)
	One Time Letter of Credit	Short Term	6.34	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	2.90	ACUITE A3 (Reaffirmed)
29-Nov-2016	Cash Credit	Long Term	10.00	ACUITE BBB- / Stable (Assigned)
	Letter of Credit	Short Term	2.00	ACUITE A3 (Assigned)

*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 BBB- / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.74	ACUITE BBB- / Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.90	ACUITE A3 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.21	ACUITE A3 (Reaffirmed)
One Time Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.65	ACUITE A3 (Withdrawn)

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About Acuité Ratings & Research:

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