

Press Release

Galva Decoparts Private Limited

05 January, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.100.00 Cr
Long Term Rating	SMERA BB/Stable (Assigned)
Short Term Rating	SMERA A4+ (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB**' (**read as SMERA double B**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) to the above mentioned Rs.100.00 crore bank facilities of Galva Decoparts Private Limited (GDPL). The outlook is '**Stable**'.

GDPL, established in 2007, is engaged in the manufacturing and electroplating of Acrylonitrile butadiene styrene (ABS) plastic components for the automobile and FMCG industry.

List of Key Rating Drivers and their detailed description

Strengths:

Experienced management: The promoter, Mr. Bhawanji Chheda, and his son, Mr. Hardik Chheda possess extensive experience in the automobile industry.

Reputed clientele: The company is a Tier II supplier in the automobile industry catering to reputed Tier I suppliers such as Varroc Polymers Private Limited, Decon India Private Limited, Badve Engineering Limited among others.

Above average financial risk profile: The overall gearing stands moderate at 1.26 times as on March 31, 2016 on account of increase in the networth owing to retention of profits. The networth of Rs.21.19 crore includes interest bearing unsecured loans of Rs.10.84 crore subordinated to bank loans, along with the capital and reserves. The interest coverage ratio stands comfortable at 2.68 times and DSCR at 1.42 times in FY2016 on the back of healthy profitability.

Weaknesses:

Project implementation risk: The company plans to set up an injection moulding and electroplating unit at Valsad, Gujarat at a total project cost of around Rs.90.00 crore to be funded through a term loan of Rs.67.00 crore and promoter's contribution of Rs.23.00 crore. The project has so far incurred cost of around Rs.3.60 crore. Commercial production is expected to begin from April, 2018. The financial closure of the company is pending as on date.

SMERA believes that while the addition of debt may deteriorate the financial risk profile, it is expected to remain at moderate levels. Further, timely completion and implementation of the project along with financial closure will remain the key rating sensitivities.

Working capital intensive operations: The operations are working capital intensive with GCA of around 175 days in FY2016 mainly on account of moderately high inventory and debtors of around 90 days each.

Susceptibility to the inherent cyclical in the automobile industry: The company generates around ~85 per cent revenue from the automobile industry, thus making it vulnerable to cyclical.

Analytical approach: Not Applicable.

Applicable Criteria

- Manufacturing Entities: <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that GDPL will maintain a stable outlook over the medium term owing to its promoters' extensive industry experience. The outlook may be revised to 'Positive' in case of sustainable improvement in the scale of operations while maintaining profitability and a comfortable financial risk profile. Conversely, the outlook may be revised to 'Negative' if GDPL registers decline in revenue and profitability or if the financial risk profile weakens due to stretch in working capital cycle. Any large debt-funded capital expenditure undertaken may also entail a 'Negative' outlook.

About the Company

GDPL, established in 2007 is engaged in the manufacturing and electroplating of ABS plastic components used for decorative purposes in the automobile and FMCG industries. The company also undertakes metalising of FMCG caps for its sister concern M/s Shree Hardik Plating Technology on job work basis. The company earns around 85 per cent revenue from sale of automotive parts and 15 per cent from FMCG sales. The electroplating unit, in a joint venture with RE, Malaysia, is located at Vapi while the injection moulding unit is at Pune.

For FY2015-16, GDPL reported profit after tax (PAT) of Rs.3.60 crore on operating income of Rs.67.02 crore, as compared to PAT of Rs.0.95 crore on operating income of Rs.46.30 crore in FY2014-15.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017				2016		2015		2014	
	Scale	Date	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	04-Jan-2017	19.00	SMERA BB/Stable (Assigned)	NA	NA	NA	NA	NA	NA
Term Loan	LT	04-Jan-2017	4.70	SMERA BB/Stable (Assigned)	NA	NA	NA	NA	NA	NA
Letter of Credit/Buyers Credit	ST	04-Jan-2017	3.50	SMERA A4+ (Assigned)	NA	NA	NA	NA	NA	NA
Bank Guarantee	ST	04-Jan-2017	0.70	SMERA A4+ (Assigned)	NA	NA	NA	NA	NA	NA
Proposed Term Loan	LT	04-Jan-2017	67.00	SMERA BB/Stable (Assigned)	NA	NA	NA	NA	NA	NA
Proposed Cash Credit	LT	04-Jan-2017	5.10	SMERA BB/Stable (Assigned)	NA	NA	NA	NA	NA	NA

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	NA	NA	NA	19.00	SMERA BB/Stable (Assigned)
Term Loan	NA	NA	31 March 2021	4.70	SMERA BB/Stable (Assigned)
Letter of Credit/Buyers Credit	NA	NA	NA	3.50	SMERA A4+ (Assigned)
Bank Guarantee	NA	NA	NA	0.70	SMERA A4+ (Assigned)
Proposed Term Loan	NA	NA	NA	67.00	SMERA BB/Stable (Assigned)
Proposed Cash Credit	NA	NA	NA	5.10	SMERA BB/Stable (Assigned)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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