



Press Release
Galva Decoparts Private Limited
January 19, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	104.80	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	5.20	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	110.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating at '**ACUITE BB+**' (read as **ACUITE double B plus**) and short term rating at '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 110.00 Cr bank facilities of Galva Decoparts Private Limited (GDPL). The outlook is '**Stable**'.

Rationale for Reaffirmation

The reaffirmation in the group's rating takes into account the improvement in scale of operations marked by operating income of Rs.282.82 Cr in FY2023 as against Rs.214.65 Cr in FY2022 albeit reduction in operating margins. The rating also factors in the extensive experience of the management in the industry, adequate liquidity and reputed clientele including Tata, Seoyon E-HWA Automotive (Hyundai), Plastic Omnium Auto Exteriors and among others. Further, the rating also factors in the capital expansion plans which is estimated to add Rs.30-40 Cr annual income FY2025 onwards. However, the rating remains constrained due to limited bargaining power over fluctuating raw material prices, increasing customer concentration as Seoyon E-HWA Automotive (Hyundai) and KIA contributing ~65 percent of the total revenue in FY2023 and aggressive leverage policy followed by the group marked by debt to equity of 4.39 times as on March 31, 2023 compared to 4.31 times as on March 31, 2022. Also, the Debt/EBITDA of the group is consistently ranging around 4-5 times in the period from FY2021-23. The rating is sensitive to the continuous deterioration in the financial risk profile, operating profitability margins and low buffer between net cash accruals and repayment obligations and would remain key rating monitorable going forward

About Company

Gujarat based GDPL was incorporated in 2007 under the directorship of Mr. Bhawanji Chheda and Mr. Hardik Chheda. The company was initially established as a proprietorship concern in 1979. GDPL is engaged in electroplating of ABS plastic components with chrome / satin finish. ABS plastic components with Chrome / Satin Finish is used for decorative parts in cars, bikes, refrigerators, washing machines, bath room fittings, etc. The company has three manufacturing plants, two of which are located at Vapi and one at Zaroli in Gujarat. Further, the company has a marketing arm in Germany by the name Galva Deco parts GmbH (GDG) in Wolfsburg.

About the Group

Shree Hardik Plating Technology based in Vapi Gujarat. The business came into existence in 2008. The company earned around 30% of the revenues from household, 25% from sale of automotive parts, 20% from cosmetics, 20% from Pen industry and the rest from others. The company had set-up an electroplating unit under Joint Venture with RE, Malaysia for

technical assistance. The company is managed by Mr. Hardik Chheda.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

The team has consolidated the standalone business and financial risk profiles of Galva Deco Parts Private Limited (GDPL), Galva GmbH (a wholly owned subsidiary of GDPL) and Shree Hardik Plating Technology (SHPT) together referred to as the 'Galva Group' (GG). The consolidation is in view of the common management, similar line of business and strong operational & financial linkages between the entities.

Key Rating Drivers

Strengths

Experienced management and established track record of operations:

Incorporated as a proprietorship concern in 1979 by Mr. Bhawanji Chheda, GDPL has an operational track record of more than four decades. Mr. Hardik Chheda joined the company in 1998. GDPL was converted into a Private Limited Company in 2007. GDPL's operations are managed by Mr. Bhawanji Chheda and Mr. Hardik Chheda. The Group has been able to establish three plants in Gujarat, three customer support warehouses and one marketing arm in Germany (GDG). The group has reputed clientele such as Tata, Seoyon E-HWA Automotive (Hyundai), Plastic Omnium Auto Exteriors and among others. Further, the process and the products of the group are certified by International Organization of Standardization (ISO). GDPL is also a tier 2 supplier of Hyundai and KIA.

Acuité believes that the extensive experience of the management along with its established track record of operations and relationships with its clients will strengthen the business risk profile over the medium term.

Improvement in operating performance albeit decline in operating margins:

The revenue of the group improved from Rs.282.82 Cr in FY2023 to Rs.214.65 Cr in FY2022. Moreover, the recent completion of capacity expansion is estimated to add another Rs.30-40 Cr annual income for FY2025 onwards. The group is estimated to generate turnover in the range of Rs. 300-330 Cr. However, the operating margins of the company reduced to 12.70 percent in FY2023 from 16.57 percent in FY2022. The operating margins decline is on account of increase in raw material prices. Increase in commodity prices like ABS plastics, copper, and nickel significantly impact the group's profitability due to their limited bargaining power.

Acuité believes the profitability over the medium term will remain susceptible to fluctuating raw material prices due to the group's limited bargaining power.

Weaknesses

Average financial risk profile:

The financial risk profile of the group stood average, marked by moderate net worth, high gearing and high debt protection metrics. The tangible net worth of the group stood at Rs.42.77 crore as on 31 March 2023 as against Rs.38.88 crore as on 31 March, 2022. The total debt of the group stood at Rs.187.66 crore which includes short-term debt of Rs.47.71 Cr, long term debt of Rs.123.88 Cr and Rs.16.07 Cr of unsecured loans as on 31 March, 2023. The gearing (debt-equity) of the group stood high at 4.39 times as on 31 March 2023 as compared to 4.31 times as on 31 March, 2022. Interest Coverage Ratio of the group stood at 2.34 times for FY2023 as against 2.24 times for FY2022. Debt Service Coverage Ratio (DSCR) of the group stood at 1.12 times in FY2023 as against 1.14 times in FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) of the company stood at 5.98 times as on 31 March, 2023 as against 5.48 times as on 31 March, 2022. Net Cash Accruals to Total Debt (NCA/TD) of the company stood at 0.11 times for FY2023 as against 0.12 times for FY2022.

Intensive Working Capital Operations

The company's operations remain working capital intensive in nature although the GCA days have improved to 215 days as on March 31, 2023, as compared to 233 days as on March 31, 2022. The group's GCA days are driven by high inventory and debtor days. Further, the debtor days stood at 80 days in FY2023 as against 98 days in FY2022. However, the group

provides a credit period of 60-90 days to debtors. The inventory days stood at 109 days in FY2023 as against 125 days in FY2022. The inventory holding period allowed is around 90 days. The creditor days stood at 109 days in FY23 as against 126 days in FY2022. The average credit allowed by suppliers is around 45-60 days. As a result, the average bank limit utilization for 09 months ended September 2023 is 83% of the sanctioned limit.

Acuité believes that the ability of the group to efficiently manage its working capital requirements will remain key rating sensitivity.

Customer and sectoral concentration risk:

The group supplies to automobile and FMCG sectors. The group caters to an established clientele including Seoyon E-HWA Automotive (Hyundai), Tata, LS Automotive Kia, Skoda, Bajaj and Volkswagen. However, since FY2022-23 the customer concentration risk has been substantially augmented since the group derives about 35% of its total revenue from Seoyon E-HWA Automotive (Hyundai), 30% from KIA, 15% from Volkswagen and remaining from others. Additionally, the capital expansion in Chennai is expected to further cater to the demands of Hyundai and Kia. The expansion shall additionally contribute ~Rs.30-40 crore to the total revenue of the group from FY2025.

Highly fragmented and competitive nature of the industry

The rating continues to reflect the highly competitive and fragmented nature of the automotive components industry.

Acuité believes that sustained improvement in the group's profitability margins over the medium term shall be instrumental in improving the company's business and financial risk profile.

Rating Sensitivities

Higher than expected growth in revenue while maintaining profitability margins and capital structure.

Improvement in financial risk profile

Elongation of working capital cycle

Liquidity Position

Adequate

The group's liquidity position is adequate, marked by net cash accruals against maturity debt obligations. The group generated net cash accruals in the range of Rs.18.63-21.00 Crore from FY 2021- 2023 against its maturing debt obligations ranging between Rs.15.68-20.92 Cr over the same term. In addition, it is expected to generate sufficient cash accrual in the range of Rs.24.98-29.78 crore against the maturity debt obligation ranging between Rs.22.58-24.89 Cr over the medium term. The working capital management of the company is intensive marked by GCA days of 215 days in FY2023 as against 233 days in FY2022. The average of utilization of the working capital facilities stood at ~83% per cent for past 09 months ended September 2023. The group maintains unencumbered cash and bank balances of Rs.1.33 crore as on March 31, 2023. The current ratio of the group stands at 1.16 times as on March 31, 2023 as against 1.46 times as on 31 March, 2022.

Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of moderate accruals.

Outlook: Stable

Acuité believes that Group will maintain a 'Stable' outlook over the medium term due to experienced promoters, long-standing relationship with customers and improvement in scale of operations. The outlook may be revised to 'Positive' in case the company registers substantial growth in revenues while achieving sustained improvement in operating margins thereby improving the financial risk profile and the liquidity profile. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected revenues, operating and profitability margins or further deterioration in the gearing levels and debt protection metrics thereby adversely impacting the financial risk profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	282.82	214.65
PAT	Rs. Cr.	5.22	3.44
PAT Margin	(%)	1.85	1.60
Total Debt/Tangible Net Worth	Times	4.39	4.31
PBDIT/Interest	Times	2.34	2.24

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

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
01 Nov 2022	Cash Credit	Long Term	1.00	ACUITE BB+ Stable (Reaffirmed)
	Cash Credit	Long Term	15.50	ACUITE BB+ Stable (Reaffirmed)
	Covid Emergency line	Long Term	18.00	ACUITE BB+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	2.00	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	1.50	ACUITE A4+ (Reaffirmed)
	Proposed Bank Facility	Long Term	10.00	ACUITE BB+ Stable (Assigned)
	Proposed Bank Facility	Long Term	14.80	ACUITE BB+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.70	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	19.00	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	15.50	ACUITE BB+ Stable (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE BB+ Stable (Reaffirmed)
03 Mar 2022	Bank Guarantee	Short Term	2.00	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	1.50	ACUITE A4+ (Reaffirmed)
	Proposed Term Loan	Long Term	2.01	ACUITE BB+ Stable (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE BB+ Stable (Reaffirmed)
	Cash Credit	Long Term	28.00	ACUITE BB+ Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BB+ Stable (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE BB+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	2.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	1.70	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	15.79	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	19.00	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	18.00	ACUITE BB+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	2.00	ACUITE A4+ (Upgraded from ACUITE A4)
	Bank Guarantee	Short Term	2.00	ACUITE A4+ (Upgraded from ACUITE A4)
		Short		ACUITE A4+ (Upgraded from ACUITE

10 Feb 2022	Bank Guarantee	Term	1.70	A4)
	Cash Credit	Long Term	6.00	ACUITE BB+ Stable (Upgraded from ACUITE B+)
	Cash Credit	Long Term	3.00	ACUITE BB+ Stable (Upgraded from ACUITE B+)
	Cash Credit	Long Term	1.00	ACUITE BB+ Stable (Upgraded from ACUITE B+)
	Cash Credit	Long Term	28.00	ACUITE BB+ Stable (Upgraded from ACUITE B+)
	Proposed Term Loan	Long Term	2.01	ACUITE BB+ Stable (Upgraded from ACUITE B+)
	Term Loan	Long Term	19.00	ACUITE BB+ Stable (Upgraded from ACUITE B+)
	Term Loan	Long Term	18.00	ACUITE BB+ Stable (Upgraded from ACUITE B+)
	Term Loan	Long Term	15.79	ACUITE BB+ Stable (Upgraded from ACUITE B+)
	Letter of Credit	Short Term	1.50	ACUITE A4+ (Upgraded from ACUITE A4)
25 Oct 2021	Letter of Credit	Short Term	3.50	ACUITE A4 (Downgraded and Issuer not co-operating*)
	Proposed Cash Credit	Long Term	5.10	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Proposed Term Loan	Long Term	67.00	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	0.70	ACUITE A4 (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	19.00	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	4.70	ACUITE B+ (Downgraded and Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Cosmos Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	1.70	ACUITE A4+ Reaffirmed
SVC Co-Op Bank Limited	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A4+ Reaffirmed
Saraswat Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE BB+ Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BB+ Stable Reaffirmed
SVC Co-Op Bank Limited	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.75	ACUITE BB+ Stable Reaffirmed
Cosmos Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.50	ACUITE BB+ Stable Reaffirmed
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE BB+ Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	30 Nov 2026	Simple	18.00	ACUITE BB+ Stable Reaffirmed
Cosmos Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.50	ACUITE A4+ Reaffirmed
Saraswat Bank	Not Applicable	Term Loan	Not available	Not available	28 Feb 2031	Simple	17.05	ACUITE BB+ Stable Reaffirmed
Cosmos Bank	Not Applicable	Term Loan	Not available	Not available	30 Nov 2025	Simple	15.50	ACUITE BB+ Stable Reaffirmed

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Siddharth Shah Analyst-Rating Operations Tel: 022-49294065 siddharth.shah@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.