

Press Release

Woodfield Systems International Private Limited

December 27, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 29.21Cr (Enhanced from 17.90 Cr.)
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed 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. 21.08 crore and assigned short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 8.13 crore bank facilities of Woodfield Systems International Private Limited (WSIPL). The outlook is '**Stable**'.

The rating continues to derive comfort on account of healthy growth in revenue, experienced management, healthy relations with reputed customers. However, the strengths are partially offset with deterioration in consolidated financial risk profile and moderate working capital cycle.

Woodfield Systems International Private Limited (WSIPL), incorporated in 2000 is engaged in the manufacturing of loading and unloading arms, safety access systems and metering skid solutions. It caters to the oil & gas, chemical, petrochemical and aviation sector. The operations are spread across several countries including India, USA, UK, and Spain among others. The company has its manufacturing facility located at Asangaon in Thane district (Maharashtra). WSIPL is an ISO 9001:2008, ISO 14001: 2004, CE 0045 97/23/EC PED, BS OHSAS 18001, AD2000/EN3834 certified company.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of Woodfield Systems International Private Limited (WSIPL), Woodfield Systems USA Inc. and Gaytri Industrial Corporation (GIC) together referred to as the 'Woodfield Group' (WG). The consolidation is in view of the common management, operational and financial linkages and cross corporate guarantees among the entities. Extent of Consolidation : Full.

About the Group:

The Woodfield Group (WG) consists of three companies, Woodfield Systems International Private Limited (WSIPL), Gaytri Industrial Corporation (GIC) and Woodfield Systems USA Inc.

Gaytri Industrial Corporation (GIC), established in 1979, is a partnership firm promoted by Mr. Nittul Chetan Modi, Mr. Girish Gala, Mr. Hemant Chheda and Mrs. Rekha Modi. The firm is engaged in the manufacture of metallic and non-metallic flexible hoses, couplings, cam locks to name a few. The firm has its manufacturing facility located at Asangaon in Thane district (Maharashtra).

South Carolina based, Woodfield System USA Inc, incorporated in FY 2017 is 100 per cent subsidiary of Woodfield Systems International Private Limited. This company is also engaged in manufacturing of loading and unloading arms, safety access systems and metering skid solutions. The commercial operations commenced from January 2018.

Key Rating Drivers

Strengths

- **Experienced management with established track record of operations**

The 'Woodfield Group' was established in 1979 by promoters, Mr. Chetan Navnitlal Modi, Mr. Girish Shamji Gala, Mr. Hemant Nanji Chheda. Further, Mr. Nittul Chetan Modi joined business in 1995. The operations are currently managed by Mr. Kartik Gala and Mr. Nittul Modi. The promoters have experience of over three decades in the aforementioned line of business and are well supported

by an experienced and qualified second line of management.

- **Well diversified geographical operations with reputed clientele**

WG caters to 40 countries and has representative offices in Europe and Spain as well. WG has established relations with reputed clientele in the oil & gas, petrochemical, chemical and infrastructure industry across the world. It caters to globally reckoned corporates such as IOCL, BPCL, Samsung Engineering, Hyundai Engineering, Hyundai Engineering & Construction, PETROFAC E & C Oman LLC, among others. WG has long term relations of over a decade with customers which ensure repeat orders.

Weaknesses

- **Moderate financial risk profile**

The financial risk profile of WG is moderate marked by tangible net worth of Rs.13.59 crore as on 31 March, 2018 as against Rs.15.25 crore in the previous year. Unsecured loan of Rs.1.00 crore as on 31 March, 2018 is treated as quasi equity as the same is subordinated to bank debt. The decline in net worth is due to losses in Woodfield System USA Inc. The gearing increased to 1.83 times as on March 31, 2018 from 1.18 times as on March 31, 2017. The total debt of Rs.24.82 crore mainly consists of term loan of Rs.6.22 crore and working capital limits of Rs.18.60 crore as on 31 March, 2018.

Interest Coverage Ratio (ICR) stood at 1.77 times for FY2018 as against 2.17 times in FY2017. Total Outside Liabilities/Tangible Net Worth (TOL/TNW) deteriorated to 2.52 times as on 31 March, 2018 as against 1.63 times in the previous year. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.06 times as on 31 March, 2018 as against 0.14 times in 31 March, 2017.

- **Declining profitability margins**

The operating margins (EBITDA) of the group stood at 6.74 percent in FY18 as compared to 10.50 percent in FY 17 and 11.99 percent in FY 16. The decline in margins is due to change in revenue mix, increase in raw material cost as a percent to total revenue and operating losses in Woodfield System USA Inc.

Acuité expects, timely stabilization of the operations of the US subsidiary thereby improving the profitability of the group will be key rating sensitivity.

Outlook: Stable

Acuité believes that WG will maintain a 'Stable' outlook and continue to benefit over the medium term owing to its promoters' extensive industry experience and established relationship with reputed customers. The outlook may be revised to 'Positive' in case of sustained improvement in the group's scale of operations and profitability while maintaining comfortable financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile or stretch in working capital cycle or higher than expected debt-funded capital expenditure.

About the Rated Group - Key Financials (Consolidated)

	Unit	FY18 (Actual)*	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	66.26	46.38	44.19
EBITDA	Rs. Cr.	4.46	4.87	5.30
PAT	Rs. Cr.	-0.28	1.00	1.11
EBITDA Margin	(%)	6.74	10.50	11.99
PAT Margin	(%)	-0.43	2.16	2.51
ROCE	(%)	7.82	10.83	13.78
Total Debt/Tangible Net Worth	Times	1.83	1.18	1.05
PBDIT/Interest	Times	1.77	2.17	2.02
Total Debt/PBDIT	Times	5.32	3.57	2.80
Gross Current Assets (Days)	Days	188	222	171

*FY18 key financials are consolidated figures of Woodfield System International Private Limited, Woodfield System USA Inc and Gaytri Industrial Corporation. Whereas, FY17 and FY16 key financial are consolidated figures of Woodfield System International Private Limited and Gaytri Industrial Corporation.

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.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
30-Oct-2017	Cash Credit	Long Term	8.50	ACUITE BBB- / Stable (Assigned)
	Term Loan	Long Term	0.24	ACUITE BBB- / Stable (Assigned)
	Term Loan	Long Term	1.48	ACUITE BBB- / Stable (Assigned)
	Term Loan	Long Term	0.68	ACUITE BBB- / Stable (Assigned)
	Bank Guarantee	Short Term	7.00	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	11.10 (Enhanced from Rs. 8.50 cr.)	ACUITE BBB- / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.44	ACUITE BBB- / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.32	ACUITE BBB- / Stable (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	9.00 (Enhanced from Rs. 7.00 cr.)	ACUITE A3 (Reaffirmed)
Proposed Bank Facilities	Not Applicable	Not Applicable	Not Applicable	0.22	ACUITE BBB- / Stable (Reaffirmed)
Secured Letter of Credit	Not Applicable	Not Applicable	Not Applicable	8.13	ACUITE A3 (Assigned)

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About Acuité Ratings & Research:

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