

Press Release

GAYTRI INDUSTRIAL CORPORATION

October 30, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 14.65 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (read as **SMERA BBB minus**) and short term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs. 14.65 crore bank facilities of GAYTRI INDUSTRIAL CORPORATION. The outlook is '**Stable**'.

The Woodfield Group (WG) consists of three companies, Woodfield Systems International Private Limited (WSIPL), Gaytri Industrial Corporation (GIC) and Woodfield Systems USA Inc. The Thane-based Gaytri Industrial Corporation was established as a partnership firm in 1979 by Mr. Girish Shamji Gala, Mr. Hemant Nanji Chheda and Mrs. Rekha Chetan Modi. The firm is engaged in the manufacture and supply of metallic & non - metallic flexible hoses, couplings, cam locks, hammer unions among others used in the petrochemical, oil and gas and fertiliser industries to name a few. Woodfield Systems International Private Limited (WSIPL) incorporated in 2000 is engaged in the manufacturing of loading and unloading arms, safety access systems metering skid solutions and caters to the oil and petroleum industry.

Key Rating Drivers

Strengths

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

Gaytri Industrial Corporation (GIC) 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. Woodfield Systems International Private Limited (WSIPL) was incorporated in 2000 to provide loading and unloading arms solutions for the oil and petroleum industry. The companies are led by Mr. Kartik Gala, Mr. Nittul Chetan Modi and Mrs. Rekha Chetan 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.

- **Moderate financial risk profile**

The group has moderate financial risk profile marked by tangible net worth of Rs.16.15 crore as on 31 March, 2017 as against Rs. 14.61 crore in the previous year. It includes unsecured loan of Rs. 1.90 crore as on 31 March, 2017 out of which Rs. 1 crore is considered as quasi equity as the same is subordinated to bank debt. The adjusted gearing (total debt to adjusted net worth) stood at 1.05 times as on 31 March, 2017 as against 1.05 times in the previous year. The debt of Rs.17.03 crore mainly consists of term loans of Rs.4.30 crore and working capital limits of Rs. 11.74 crore as on 31 March 2017. The Interest Coverage Ratio (ICR) stood at 1.87 times for FY2017 as against 2.02 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood at 1.20 times for FY2017 as against 1.33 times in FY2016. The total outside Liabilities/Tangible net worth (TOL to TNW) stood at 1.65 times as on 31 March, 2017 as against 1.37 times in the previous year. The Net cash accruals/total debt (NCA to TD) stood at 0.15 times as on 31 March, 2017 as against 0.17 times in 31 March, 2016. SMERA believes that the financial risk profile will remain comfortable in the medium term mainly due to steady profitability and moderate debt funded capex.

- **Established relations with reputed clientele**

WG has established relations with reputed clientele in the oil and gas and petrochemical industries across

the world. GIC caters to Indian Oil Corporation Limited (IOCL) Hindustan Petroleum Corporation Limited (HPCL) Bharat Petroleum Corporation Limited (BPCL) Essar TechnipFMC Ltd. to name a few while WSIPL caters to Saudi Aramco SABIC Shell Global and EPC companies - Samsung Engineering, L & T, Hyundai Engineering & Construction among others. WG has long term relations of over a decade with customers which ensure repeat orders.

Weaknesses

- **Moderate scale of operations with expected growth in revenues**

WG has moderate scale of operations marked by operating income of Rs. 46.21 crore in FY2017 as against Rs. 44.19 crore in FY2016 and Rs. 32.68 crore in FY2015. For the period April 2017 to September 2017, WG booked revenue of Rs. 22.43 crore. WG has unexecuted order book of Rs. 48.00 crore which provides revenue visibility for the medium term. Further, the revenues are expected to improve in the near to medium term on account of additional revenue from Woodfield Systems USA Inc. The firm is expected to commence operations in January 2018.

- **Working capital intensive operations**

WG's operations are working capital intensive marked by high Gross Current Asset (GCA) of 209 days in FY2017 compared to 133 days in FY2016. The GCA days are mainly dominated by high debtor days of 116 days in FY2017 compared to 64 days in FY2016. The high debtors are mainly due to increased orders in the last quarter of FY2017. The group's average cash credit utilisation for the past three months stood at ~77 percent. SMERA believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

- **Uneven profit margins**

The operating margins (EBITDA) of WG stood at 12.27 per cent in FY2017 compared to 11.99 percent in FY2016 and 12.95 percent in FY2015. The margins are mainly constrained by high employee cost and selling expenses as a percent of sales. The net profit margins of WG stood at 2.16 per cent in FY2017, 2.51 percent in FY2016 and 0.80 percent in FY2015. The fluctuating margins are mainly on account of increased interest costs. SMERA expects the margins to remain in the range of 11.50 percent to 13.00 percent on account of healthy order book position of both companies.

- **Ongoing debt funded capex**

WG (through Woodfield Systems USA Inc) is in the process of setting up a plant for manufacturing of loading and unloading arms, safety access systems metering skid solutions. The plant is located at Camden, South Carolina, 29020, USA. Construction commenced in August 2017 and is expected to be completed by January 2018. The total estimated project cost is ~Rs. 4.50 crore which includes machinery while the land is taken on lease of 7 years. The project would be financed by promoter's funds of Rs. 2.10 crore and term loan of Rs. 2.40 crore. Notwithstanding the benefits of the debt funded capex, timely completion and stabilisation will remain key rating sensitivities.

- **Inherent capital withdrawal risk in Partnership business**

GIC being a partnership firm is exposed to the risk associated in terms of capital withdrawal.

Analytical Approach

SMERA 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 & financial linkages and cross corporate guarantees between the entities.

Outlook: Stable

SMERA believes that WG will continue to benefit over the medium term from its promoters' extensive industry experience. 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 steep decline in revenue and profitability or if the financial risk profile weakens, owing to stretch in working capital cycle or higher than expected debt-funded capex.

About the Group

The Woodfield Group (WG) has following companies: 1.Woodfield Systems International Private Limited 2.Gaytri Industrial Corporation 3.Woodfield Systems USA Inc.

About the Rated Entity - Key Financials

The WG reported profit after tax (PAT) of Rs. 1.00 crore on operating income of Rs. 46.21 crore in FY2017 (Provisional) as against PAT of Rs. 1.11 crore on net sales of Rs. 44.19 crore in FY2016. The net worth stands at Rs. 16.15 crore as on 31 March 2017 (Provisional) compared to Rs. 14.61 crore as on 31 March 2016.

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)

Not Applicable

*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	6.00	SMERA BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.86	SMERA BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.75	SMERA BBB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.04	SMERA BBB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA A3

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