

Press Release

Gaytri Industrial Corporation

March 20, 2020



Rating Reaffirmed Outlook Revised

Total Bank Facilities Rated*	Rs.14.65 Cr
Long Term Rating	ACUITE BBB- / Negative (Rating Reaffirmed; Outlook Revised from Stable)
Short Term Rating	ACUITE A3 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short term rating of '**ACUITE A3**' (read as **ACUITE A three**) to Rs.14.65 crore bank facilities of Gaytri Industrial Corporation (GIC). The outlook has been revised to '**Negative**' from '**Stable**'.

The revision in outlook is on account of significant moderation in the profitability margins and financial risk profile, which was mainly on account losses in the US Subsidiary. Any further deterioration in the profitability margins or financial risk profile will impart a downward bias to the rating.

Gaytri Industrial Corporation (GIC), established in 1979 is engaged in the manufacturing of metallic & non-metallic flexible hoses, couplings, cam locks to name a few. The manufacturing facility is located at Asangaon in Thane district (Maharashtra).

About the Group

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

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 industry. The operations are spread across several countries including India, USA, Latin America, UK and Spain. WSIPL is an ISO 9001:2008, ISO 14001: 2004, CE 0045 97/23/EC PED, BS OHSAS 18001, AD2000/EN3834 certified company.

South Carolina based, Woodfield System USA Inc., incorporated in May 2017 is a 100 percent subsidiary of WSIPL. This company is also engaged in same business of manufacturing loading and unloading arms, safety access systems and metering skid solutions. The commercial operations has commenced from January 2018.

The rating reaffirmed is based on account of healthy growth in revenue and timely commencement of operations along with expected stability in profitability of Woodfield System USA Inc going ahead. Further, the rating continues to draw comfort from the experienced management, healthy relations with reputed customers and efficient management of working capital cycle.

Analytical Approach

Acuite has consolidated the business and financial risk profiles of WSIPL, WSU and 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 between the entities. Extent of Consolidation: Full.

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, and 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. The promoters are supported by experienced and qualified second line of management comprising of Mr. Simon Hill, Mr. Brian Mcnamara, Mr. Suhas Deshmukh, Mr. Hitesh Vakil and others having experience of more than two decades in their respective fields. The extensive experience of the promoters and the established presence in the industry has helped the group to generate healthy relations with various customers and suppliers in both domestic as well as global market. The group has global customer base spread across Africa, Australia, Europe & CIS, Latin America, South East Asia, UAE, USA & Canada among others.

Acuite believes that the group will continue to benefit from the promoter's established presence in the industry and its improving business risk profile over the medium term.

- **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 various industries such as oil & gas, petrochemical, chemical and infrastructure industry across the world. It caters to globally reckoned corporates including Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation Limited (BPCL), Hindustan Petroleum Corporation Limited (HPCL), Larsen & Toubro (L&T), Samsung Engineering, Hyundai Engineering, Hyundai Engineering & Construction, Afcons Infrastructure Limited, Petrofac E & C Oman LLC among others. WG has long term relations of over a decade with customers which ensure repeat orders.

Acuite expects the established position in the industry and healthy relations with both customers as well as suppliers will help the company to maintain stable credit profile in the medium term.

Weaknesses

- **Significant moderation in profitability margins**

The group is facing profitability pressures, mainly due to losses in WSU, which was incorporated in May 2017 and started its operations in January 2018. The group on a consolidated basis reported net loss of Rs.4.08 crore in FY2019 as against profit of 0.31 crore for FY2018. The operating margins (EBITDA) of WG stood at 1.27 percent in FY2019 as compared to 6.90 percent in FY2018 and 10.50 percent in FY2017. The decline in the margins was mainly on account of initial stage of operations in the US subsidiary. The losses are expected to continue in FY2020.

The group is expecting that WSU will achieve breakeven by FY2021. Acuite believes that timely stabilization of the operations of the US subsidiary thereby improving the overall profitability of the group will be key rating sensitivity.

- **Deterioration in the financial risk profile**

The financial risk profile of the group is moderate marked by tangible net worth of Rs.20.11 crores as on 31 March 2019 as against Rs.14.99 crores in the previous year. The increase in the net worth was mainly on account of infusion of unsecured loan of Rs.14 crores as on 31 March 2019, which is treated as quasi equity as the same is subordinated to bank debt. The gearing of the group stood moderate at 1.16 times as on 31 March 2019 as against 1.65 times as on 31 March 2018. The debt of Rs.23.40 crore mainly consists of term loan of Rs.3.40 crore and working capital limits of Rs.18.53 crores as on 31 March 2019. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.91 times as on 31 March 2019 as against 2.24 times in the previous year.

The coverage indicators deteriorated sharply marked by Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR) of 0.33 times and 0.41 times respectively for FY2019 as against 1.82 times respectively in FY2018 on account of significant moderation in the overall EBITDA and increase in the finance cost of the group. Moderation in the operating levels coupled with debt levels in the range of Rs.23-Rs.24 crore for past two years ended FY2019 has resulted in very high debt- EBITDA levels of 20.55 times for FY2019 as against 5.24 times for FY2018.

Acuite believes that the financial risk profile will remain moderate in the medium term and the

improvement will be mainly linked to timely stabilization of operations of WSU.

Liquidity position: Adequate

WG group has adequate liquidity position as the group has been able to manage its operations well within its bank limits with average utilisation of ~85 percent over the last six months ending on January 2020. The promoters have infused unsecured loans of Rs.14 crore as on 31 March 2019 for ensuring timely repayment of its debt obligations. The working capital operations were on the higher side, marked by Gross Current Days (GCA) of 180 days for FY2019. Further, current ratio stood moderate at 1.04 times as on 31 March 2019 as compared to 1.15 times as on 31 March 2018. Acuite believes that the liquidity to remain adequate over the medium term.

Rating Sensitivities

- Improvement in profitability and scale of operations backed by stabilization of operations of USA subsidiary.
- Further deterioration in the working capital cycle

Outlook: Negative

Acuite believes that the WG'S credit profile will be impacted by significant moderation in the profitability margins and the financial risk profile over the near to medium term. The rating may be downgraded in case of continued moderation in its profitability margins and working capital operations impacting the liquidity and debt protection indicators. The outlook may be revised to 'Stable' in case of sustained improvement in the group's scale of operations and timely stabilization of the operations of WSU leading to improvement in the margins and the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	73.80	66.05
PAT	Rs. Cr.	(4.09)	0.31
PAT Margin	(%)	(5.54)	0.48
Total Debt/Tangible Net Worth	Times	1.91	2.24
PBDIT/Interest	Times	0.33	1.82

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-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- 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>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore.)	Ratings/Outlook
27-Dec-2018	Cash Credit	Long term	6.00	ACUITE BBB-/Stable (Reaffirmed)
	Term Loan	Long term	0.88	ACUITE BBB-/Stable (Reaffirmed)
	Term loan	Long term	0.51	ACUITE BBB-/Stable (Reaffirmed)
	Bank Guarantee/ Letter of Guarantee	Short term	6.00	ACUITE A3 (Reaffirmed)
	Proposed Bank Facilities	Long Term	1.26	ACUITE BBB-/Stable (Reaffirmed)
30-Oct-2017	Cash Credit	Long term	6.00	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long term	1.86	ACUITE BBB-/Stable (Assigned)
	Term loan	Long term	0.75	ACUITE BBB-/Stable (Assigned)
	Proposed Bank Facilities	Long term	0.04	ACUITE BBB-/Stable (Assigned)
	Bank Guarantee/ Letter of 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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BBB-/Negative (Reaffirmed; Outlook Revised)
Term loans	Not Available	Not Applicable	Not Available	0.88	ACUITE BBB-/Negative (Reaffirmed; Outlook Revised)
Term loans	Not Available	Not Applicable	Not Available	0.51	ACUITE BBB-/Negative (Reaffirmed; Outlook Revised)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.26	ACUITE BBB-/Negative (Reaffirmed; Outlook Revised)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A3 (Reaffirmed)

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About Acuite Ratings & Research:

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