

Press Release

GOYAL INTERNATIONAL

31 January, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 8.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* 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**) on the Rs. 8.00 crore bank facilities of GOYAL INTERNATIONAL (GI). The outlook is '**Stable**'.

Goyal International, a partnership firm was established by Mr. Ashok Goyal and Mrs. Neeru Goyal in 1990. The firm is engaged in the manufacturing of scaffolding items such as steel ring lock, adjustable screw jack as also auto and tractor parts. The ISO 9001:2015 certified firm exports scaffolding items to U.A.E, Saudi Arabia (Jeddah Daman Kuwait) Egypt, Iraq, Moscow and others.

Key Rating Drivers

Strengths

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

GI was established in 1990 by Mr. Ashok Goyal and Mrs. Neeru Goyal who possess more than two decades of experience in the scaffolding business.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by net worth of Rs. 9.99 crore as on 31 March, 2017 as compared to Rs. 7.30 crore as on 31 March, 2016. This includes unsecured loan of Rs. 1.54 crore considered as quasi equity. The adjusted gearing (debt-equity) is 0.83 times as on 31 March, 2017 as against 1.40 times as on 31 March, 2016. The total debt mainly includes working capital borrowings of Rs. 8.00 crore as on 31 March, 2017. The Interest Coverage Ratio (ICR) stood at 1.76 times in FY2017 compared to 1.87 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood at 1.76 times in FY2017 and 1.87 times in FY2016. The Total Outstanding Liabilities to Total Net Worth (TOL/TNW) increased to 1.07 times as on 31 March, 2017 and 1.74 times as on 31 March, 2016.

Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive marked by high Gross Current Asset (GCA) days of 183 in FY2017 as against 178 days in the previous year. The GCA days are mainly dominated by high debtor days of 95 in FY2017 as against 87 days in FY2016. The average bank limit utilisation for the past six months stood at 95 percent. SMERA believes that efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

- **Low profitability margins**

The PAT margin remains stagnant at 0.70 percent in FY2017 and FY2016. Also, the EBITDA margin stood at 4.60 percent in FY2017 compared to 3.88 percent in FY2016. SMERA believes that the profitability margin will remain stagnant in the medium term.

- **Competitive and fragmented industry**

The firm operates in a highly competitive and fragmented automotive components industry characterised by a large number of unorganised players affecting margins.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Goyal International to arrive at the rating.

Outlook: Stable

SMERA believes that Goyal International will maintain a 'Stable' outlook in the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the firm registers higher than expected revenue and liquidity position while maintaining profitability margins. Conversely, the outlook will be revised to 'Negative' in case of significant decline in revenue and profitability or higher than expected debt funded working capital requirement leading to strain on its debt servicing ability.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	33.71	33.72	35.31
EBITDA	Rs. Cr.	1.55	1.31	1.61
PAT	Rs. Cr.	0.24	0.24	0.28
EBITDA Margin	(%)	4.60	3.88	4.57
PAT Margin	(%)	0.70	0.70	0.80
ROCE	(%)	6.31	5.52	14.49
Total Debt/Tangible Net Worth	Times	0.83	1.40	1.46
PBDIT/Interest	Times	1.76	1.87	1.77
Total Debt/PBDIT	Times	5.24	7.56	6.05
Gross Current Assets (Days)	Days	183	178	161

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Up to 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. Crore.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BB / Stable
PC/PCFC	Not Applicable	Not	Not	6.00	SMERA A4+

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ABOUT SMERA

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