

Press Release

Gedee Weiler Private Limited

July 17, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 24.08 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3+

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.24.08 crore bank facilities of Gedee Weiler Private Limited. The outlook is '**Stable**'.

Gedee Weiler Private Limited (GWPL) is a Coimbatore based company established in 1966 by Mr. G D Gopal. It is engaged in manufacturing of CNC lathes and CNC turning centers. GWPL has developed custom built turning machines with Auto loading arrangement, to facilitate one operator handling two or more CNC machines. The company caters to industries such as textile, automobile, medical, aerospace, among others. It derives about 40 percent revenues from the domestic market, and rest from exports.

Key Rating Drivers

Strengths

• Experienced management and long track record of operations

GWPL established in 1966 in collaboration with the GDW Werkzeugmaschinen GmbH, Germany to manufacture machine tools. The Directors, Mr. Gopal and Mr. Hermann Weiler possess more than four decades of experience in the industry. Experience of the promoters coupled with technical collaboration with the GDW Werkzeugmaschinen GmbH (GDW), Germany helped to provide cost effective and high productive machine components to the industries such as textile, automobile, medical, aerospace, among others. Though GWPL is exposed to client concentration as 50 percent of revenues derived from GDW, however it is mitigated by the technical collaboration and their participation in the Board and association for about five decades. Further, the diversified sector profile helped GWPL in improving its revenue profile as reflected in revenue growth at a compound annual growth rate (CAGR) of 24.22 percent over three years, from Rs.29.52 crore in FY2016 to Rs.45.56 crore in FY2018. GWPL has order book position of about Rs.17.60 crore as of 31 May, 2018 for execution and deliverables in the next 3-4 months. Acuite believes that the business risk profile of GWPL is expected to improve further supported by improving revenues from both the domestic and overseas markets.

• Healthy financial risk profile

Financial risk profile is healthy marked by healthy gearing (debt-to-equity), debt protection metrics and total outside liabilities to total net worth (TOL/TNW). Gearing is healthy at 0.53 times as on 31 March, 2018 (Provisional) on account of low reliance on external borrowings for funding its capital expenditure (capex) and working capital requirements. Net worth is moderate at Rs.23.24 crore (Provisional) as on 31 March, 2018. Debt protection metrics of interest coverage ratio (ICR) and debt service coverage ratio (DSCR) are healthy at about 13.54 times and 8.52 times (Provisional) respectively in FY2018. TOL/TNW is healthy at 1.07 times as on 31 March, 2018 (Provisional). GWPL plans to upgrade its plant and machinery at an estimated cost of about Rs.4.00 crore over the medium term, majorly funded out of internal accruals. With annual cash accruals of about Rs.4.00 to Rs.5.00 crore, moderate repayment obligations of around Rs.1.00 crore, planned capex proposed to be funded out of own sources, and unutilized bank lines of about 50 percent are expected to keep the financial risk profile and liquidity healthy over the medium term.

Weaknesses

• Working capital intensive operations

Operations of the company are working capital intensive which is evident from high Gross Current Assets (GCA) of around 186-200 days from the last three years through FY2018 (Provisional). This is mainly on account of high debtors of around 90-105 days (Provisional), and high inventory days of around three months (Provisional). The company maintains inventory of around three months to ensure regular supplies to its longstanding clients, and to penetrate into new territories. Further, debtor days are high on account of extended credit of around 150 days to GDW, which is the highest revenue contributor. Acuite believes that improvement in debtor's realisation would be the key rating sensitivity factor in the medium term.

• Fluctuations in operating margins

Operating margins of the company are fluctuating in the range of 12-15 percent from the last three years through FY2018. This is mainly on account of fluctuations in raw material prices coupled with foreign exchange price fluctuations though the 50 percent of the sales were hedged through forward contract.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the GWPL to arrive at this rating.

Outlook: Stable

Acuite believes that GWPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and established relationship with GDW, Germany. The outlook may be revised to 'Positive' in case of higher-than-expected growth in revenues and profitability while sustaining its working capital intensive operations and diversifying the revenue concentration. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital requirements leading to deterioration of its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	45.56	36.93	29.52
EBITDA	Rs. Cr.	7.00	4.59	4.55
PAT	Rs. Cr.	4.33	3.67	2.15
EBITDA Margin	(%)	15.36	12.43	15.42
PAT Margin	(%)	9.51	9.93	7.29
ROCE	(%)	18.79	22.30	15.66
Total Debt/Tangible Net Worth	Times	0.53	0.58	0.45
PBDIT/Interest	Times	13.54	14.54	9.80
Total Debt/PBDIT	Times	1.62	1.49	1.47
Gross Current Assets (Days)	Days	202	210	186

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.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. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.63	ACUITE BBB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.75	ACUITE BBB- / Stable
FBN/FBP/FBD	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE A3+
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.70	ACUITE A3+
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A3+
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BBB- / Stable

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About Acuité Ratings & Research:

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