

Press Release

Gowri Moulds And Dies
D-U-N-S® Number: 86-030-9274



January 30, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 13.18 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

#Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs. 13.18 crore bank facilities of Gowri Moulds And Dies (GMD). The outlook is '**Stable**'.

The Maharashtra based, GMD was established as a partnership firm in 1994 by Mr. Devaraya M Sheregarg and Mrs. Anitha D Sheregarg. The firm is engaged in manufacturing of O-Rings used in pipe fittings. The manufacturing unit is located at Taloja in Navi Mumbai (Maharashtra) having an installed capacity of 2.17 crore units per annum with ~70 percent utilisation.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

GMD was established in 1994 as a proprietorship firm, thus, have an operational track record of over two decades. The promoters have an experience of over two decades in the same line of business. Hence, long track records of operations and vast experience of management have helped the firm develop healthy relationship with its customers and suppliers. Acuité believes that GMD will sustain its existing business profile on the back of established track record of operations and experienced management.

- **Average financial risk profile**

The financial risk profile of the firm stood average marked by net worth of Rs.7.67 crore (includes Rs.1.82 crore of quasi equity) as on 31 March, 2018 as against Rs.5.78 crore (includes Rs.1.82 crore of quasi equity) as on 31 March, 2017. The gearing (debt-equity) stood at 1.17 times as on 31 March, 2018 as against 0.58 times as on 31 March, 2017. The total debt of Rs. 8.95 crore as on 31 March, 2018 mainly comprises Rs.8.00 crore of long term debt, Rs.0.78 crore of short term debt and Rs.0.17 crore of unsecured loan. Interest Coverage Ratio (ICR) stood at 3.14 times for FY2018 as against 5.57 times for FY2017. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.19 times in FY2018 and 0.46 times in FY2017. Further, Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.24 times as on 31 March, 2018 as against 0.69 times as on 31 March, 2017. Debt to EBITDA stood at 3.67 times in FY2018 as against 1.80 times in FY2017.

Weaknesses

- **Early stage of operations**

The firm has entered into manufacturing of O-Rings in FY2017. Hence, the firm is currently into early stages of operations with modest revenue of Rs. 5.20 crore in FY2017 and Rs. 5.89 crore for FY2018. However, the firm has booked revenue of ~Rs. 6.50 crore for the period April 2018-December 2018.

• Working capital intensive operations

The firm has working capital intensive nature of operations marked by Gross Current Assets (GCA) of 240 days for FY2018 as against 131 days for FY2017. This is mainly due to very high inventory of 214 days for FY2018 as against 74 days for FY2017. The debtor days stood at 42 days for FY2018 as against 29 days for FY2017. Acuité believes that the firm's ability to maintain its working capital efficiently will remain a key to maintain stable credit profile.

• Customer concentration risk

The firm is exposed to customer concentration risk as around 86 percent of its total sales in FY2018 have been derived from a single customer - Finolex Industries Limited (FIL). However, GMD has diversified its customer base and cater to reputed clientele such as HSIL (Hindware), HIL Limited and Sanjay Technoplast, among others. Further, the firm has derived ~51 percent of sales from FIL for the period April 2018- Dec 2018.

Liquidity profiles

GMD has moderate liquidity marked by sufficient net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.0.71 to Rs.1.66 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.0.50 to Rs.0.80 crore over the same period. GMD is moderately working capital intensive as marked by gross current asset (GCA) days of 240 in FY 2018 mainly due to high inventory of 214 days for FY2018. Further, the cash credit limit of the firm remains utilised at ~80 percent during the last 6 months period ended December 2018. The current ratio of the firm stood comfortable at 1.80 times as on March 31, 2018.

Outlook: Stable

Acuité believes that GMD will maintain a 'Stable' outlook over the medium term on the back of its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the firm registers significant growth in its revenue and profitability while maintaining comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected growth in revenues and profitability or in case of deterioration in the firm's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	5.89	5.20	2.19
EBITDA	Rs. Cr.	2.37	1.66	1.03
PAT	Rs. Cr.	0.76	1.22	0.44
EBITDA Margin	(%)	40.28	31.91	47.21
PAT Margin	(%)	12.88	23.41	20.28
ROCE	(%)	11.94	21.40	29.23
Total Debt/Tangible Net Worth	Times	1.17	0.58	0.02
PBDIT/Interest	Times	3.14	5.57	4.78
Total Debt/PBDIT	Times	3.67	1.80	0.09
Gross Current Assets (Days)	Days	240	131	422

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/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00*	ACUITE BB- / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	7.12#	ACUITE BB- / Stable (Assigned)
Proposed	Not Applicable	Not Applicable	Not Applicable	3.76	ACUITE BB- / Stable (Assigned)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.30	ACUITE A4+ (Assigned)

* Sublimit of Cash Credit includes BD of Rs. 0.75 crore

Sublimit of Term Loan includes FLC of Rs. 5.15 crore and Buyer's Credit of Rs. 5.15 crore.

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About Acuité Ratings & Research:

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