

Press Release

Gowri Moulds And Dies

February 13, 2020

Rating Reaffirmed



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

Acuite has reaffirmed the 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**) on the Rs. 13.18 crore bank facilities of GOWRI MOULDS AND DIES (GMD). The outlook is '**Stable**'.

Maharashtra based Gowri Moulds and Dies (GMD) was established as a partnership firm in 1994 by Mr. Devaraya Sheregar and Mrs. Anitha Sheregar. The firm is engaged in manufacturing of O-Rings used in pipe fittings. The raw materials used are TPE (Thermoplastic Elastomer) and PPCP (Polypropylene Co-Polymer) with ~50 percent of raw materials are imported from Malaysia. The manufacturing unit is located in Talaja, Maharashtra with an installed capacity of 3.02 crore units per annum (increased from 2.16 crore units per annum in FY2019) with ~80% utilization.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of GMD to arrive at the 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 partners of the firm are Mr. Devaraya Sheregar and Mrs. Anitha Sheregar. The promoters have an experience of over two decades in the aforementioned 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. Acuite believes that GMD will sustain its existing business profile on the back of established track record of operations and experienced management.

- **Healthy profitability**

The firm has small scale of operations marked by operating income of Rs. 8.44 crore in FY2019 as against Rs. 5.89 crore in FY2018. The increase in revenue is mainly on account of increase in capacity utilization as compared to previous year. The profitability of the firm stood healthy marked by operating margins of 37.83 percent in FY2019 as against 40.28 percent in FY2018. PAT margin stood at 12.93 percent in FY2019 as against 12.88 percent in FY2018. Further, the firm has booked revenues of ~Rs. 8.97 crore for 10MFY2020. Acuite believes that the firm's revenues are expected to improve on account of increase in installed capacity to 3.02 crore units per annum from 2.16 crore unit per annum.

Weaknesses

- **Average Financial Risk Profile albeit withdrawal of capital**

The firm has average financial risk profile marked by low net worth of Rs. 5.92 crore (including quasi equity of Rs. 1.82 crore) as on 31 March 2019 as against Rs. 7.67 crore (including quasi equity of Rs. 1.82 crore) as on 31 March 2018. The decrease in net worth is on account of withdrawal of capital by the partners. The withdrawal of capital has led to slight deterioration in debt protection metrics marked by gearing (debt-to-equity) which stood at 1.83 times as in 31 March 2019 as against 1.17 times as on 31 March 2018. The total debt of Rs. 10.85 crore as on 31 March 2019 mainly comprises

of Rs. 8.66 crore of long term debt, Rs. 0.46 crore of unsecured loans and Rs. 1.74 crore of short term debt. Interest Coverage Ratio (ICR) stood at 2.82 times for FY2019 as against 3.14 times for FY2018.

Further, TOL/TNW (Total outside Liabilities/Tangible Net worth) ratio stood at 1.97 times as on 31 March 2019 as against 1.24 times as on 31 March 2018. Debt-EBITDA stood at 3.35 times for FY2019 as against 3.67 times for FY2018.

Acuite believes that the financial risk profile of the firm is expected to remain average over the medium term on account of average debt protection metrics.

• Moderate working capital operations

The firm has moderate working capital operations marked by Gross Current Asset (GCA) days of 153 days for FY2019 as against 240 days for FY2018. The inventory holding period stood at 145 days for FY2019 as against 214 days for FY2018. The debtor days stood at 33 days for FY2019 as against 42 days for FY2018. Acuite believes that the firm's the ability to efficiently manage its working capital requirements will remain the key rating sensitivity.

• Customer Concentration Risk

The firm is exposed to customer concentration risk as around 51 percent of its total sales in FY2019 have been derived from a single customer - Finolex Industries Limited (FIL). Further, the firm has derived ~66 percent of sales from FIL for the period April 2019- Dec 2019. However, GMD also caters to other reputed clientele such as HSIL (Hindustan Sanitaryware & Industries Limited), HIL Limited and Sanjay Technoplast among others.

Rating Sensitivities

- Substantial improvement in scale of operation while maintaining profitability margin.
- Stretch in working capital cycle leading to increase in working capital borrowing and weakening of financial risk profile.

Any Material Covenants

None

Liquidity Position: Stretched

GMD's liquidity profile is stretched marked by moderate net cash accruals against its maturing debt obligations. The firm generated cash accruals of Rs. 1.50-2.00 crore during the last three years through 2018-19, while it's maturing debt obligations were in the range of Rs. 0.50-1.00 crore over the same period. The GCA days of the firm stood at 153 days for FY2019. The average bank limit utilization stood at ~60 percent for the past 6 months ended December 2019. The firm maintains unencumbered cash and bank balances of Rs. 0.04 crore as on March 31, 2019. The current ratio of the firm stands modest at 1.04 times as on March 31, 2019.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	8.44	5.89
PAT	Rs. Cr.	1.09	0.76
PAT Margin	(%)	12.93	12.88
Total Debt/Tangible Net Worth	Times	1.83	1.17
PBDIT/Interest	Times	2.82	3.14

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

Not applicable

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>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
30-Jan-2019	Cash Credit	Long Term	1.00*	ACUITE BB- / Stable (Assigned)
	Term Loan	Long Term	7.12#	ACUITE BB- / Stable (Assigned)
	Letter of Credit	Short Term	1.30	ACUITE A4+ (Assigned)
	Proposed Bank Facility	Long Term	3.76	ACUITE BB- / Stable (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.

*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	1.50*	ACUITE BB- /Stable (Reaffirmed)
Term Loan	28-Apr-2016	Not applicable	24-July-2024	6.00	ACUITE BB- /Stable (Reaffirmed)
Term Loan	27-Mar-2019	Not applicable	27-Mar-2027	1.77	ACUITE BB- /Stable (Reaffirmed)
Letter of Credit	Not applicable	Not applicable	Not applicable	1.30	ACUITE A4+ (Reaffirmed)
Proposed Bank Facility	Not applicable	Not applicable	Not applicable	2.61	ACUITE BB- /Stable (Reaffirmed)

* Sublimit of Cash Credit includes ODBD of Rs. 1.00 crore

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About Acuité Ratings & Research:

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