

Press Release

Gowri Moulds and Dies

July 04, 2022



Rating Downgraded & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.30	-	ACUITE A4 Downgraded & Withdrawn
Bank Loan Ratings	11.88	ACUITE BB- Downgraded & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	13.18	-	-

Rating Rationale

Acuite has downgraded and withdrawn the long-term rating to '**ACUITE BB-**' (read as **ACUITE Double B minus**) from 'ACUITE BB' (read as ACUITE Double B) and the short-term rating to '**ACUITE A4**' (read as **ACUITE A four**) from 'ACUITE A4+' (read as ACUITE A four plus) on the Rs.13.18 Cr. bank facilities of Gowri Moulds and Dies (GMD).

The rating is being withdrawn on account of the request received from the Firm and the NOC received from the banker as per Acuite's policy on withdrawal of ratings.

Reason for Rating Downgrade

The rating is downgraded on account of deterioration in business and financial risk profile of GMD, marked by declining operating income, increasing leverage and a stretched working capital cycle. The operating income of the Firm stood at Rs. 6.58 Cr in FY2022 (Provisional) as against Rs.7.80 Cr in FY2021 and Rs. 10.20 Cr in FY2020. The overall gearing rose to 3.09 times as on March 31, 2022 (Provisional) as against 2.59 times as on March 31, 2021 and 1.61 times as on March 31, 2020. The working capital cycle marked by high gross current assets days continues to remain stretched.

About the Company

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 manufacturing unit is located in Taloja, Maharashtra.

Analytical Approach

Acuite 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 experience management

GMD was established in 1994 as a partnership 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.

Acuité believes that the firm will continue to benefit with the promoter's experience and its established presence in the industry, improving its business risk profile over the medium term.

Weaknesses

> Below Average Financial Risk Profile

The financial risk profile of the firm is below average marked by modest net worth, high gearing and modest debt protection metrics.

The Net worth of the company stood at Rs.3.63 Cr as on March 31, 2022(Provisional) as against Rs 4.30 Cr as on March 31, 2021 and Rs 5.47 Cr as on March 31, 2020. The gearing (debt-equity) inclined to 3.09 times as on March 31, 2022(Provisional) as against 2.59 times as on March 31, 2021 and 1.61 times as on March 31, 2020. The total debt stood at Rs. 11.20 Cr as on March 31, 2022 (Provisional) which includes Rs. 7.71 Cr of long-term debt, Rs. 2.15 crore of unsecured loans from partners and Rs. 1.34 crore of short-term debt. Interest Coverage Ratio (ICR) stood at 1.85 times for FY2022(Provisional) as against 2.31 times for FY2021 as against 2.55 times for FY2020.

Acuité believes that the financial risk profile of GMD will continue to remain below over the medium term driven by increased debt and declining operating performance.

> Working capital intensive nature of operations

The working capital operations of the company is intensive marked by GCA days of 133 days as on March 31, 2021 as against 102 days as on March 31, 2020. The inventory holding period stood at 163 days as on March 31, 2021 as against 106 days as on March 31, 2020. The Firm imports a significant portion of its raw material requirements and therefore maintains an inventory of around ~90 days as the in-transit time is around 45 days. The firm also maintains ~60 days of finished goods of inventory in order to cater to spot orders from customers. The debtor days stood at 34 days as on March 31, 2021 and as on March 31, 2020. The Inventory holding and debtor days stood at 167 days and 43 days respectively as on March 31, 2022 (Provisional). The creditors days stood at 112 days as on March 31, 2022 as against 80 days as on March 31, 2021 and 96 days as on March 31, 2020.

> Risk of capital withdrawal

GMD is exposed to the risk of capital withdrawal considering its partnership constitution. Any significant withdrawal from the partner's capital will have a negative bearing on the financial risk profile of the firm.

Rating Sensitivities

- > Declining operating income and leveraged capital structure
- > Elongation of working capital cycle

Material covenants

None.

Liquidity Position: Poor

GMD's liquidity profile is poor marked by low net cash accruals against its maturing debt obligations. The firm generated cash accruals of Rs.2.01 crore in FY2021, while its maturing debt obligations were of Rs.1.07 crore over the same period. The repayment obligations are expected to be in the range of 2.00-2.50 cr in the medium term The average bank limit

utilization stood at ~60-70 percent for the past 6 months. The firm maintains unencumbered cash and bank balances of Rs. 0.01 crore as on March 31, 2021. The current ratio of the company stands high at 3.56 times as on March 31, 2021.

Outlook

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	7.80	10.20
PAT	Rs. Cr.	0.77	1.44
PAT Margin	(%)	9.82	14.11
Total Debt/Tangible Net Worth	Times	2.59	1.61
PBDIT/Interest	Times	2.31	2.55

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>
- Application Of 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/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Apr 2021	Term Loan	Long Term	8.26	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Letter of Credit	Short Term	1.30	ACUITE A4+ (Reaffirmed)
	Proposed Bank Facility	Long Term	0.35	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Term Loan	Long Term	1.77	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Cash Credit	Long Term	1.50	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
13 Feb 2020	Cash Credit	Long Term	1.50	ACUITE BB- Stable (Reaffirmed)
	Term Loan	Long Term	6.00	ACUITE BB- Stable (Reaffirmed)
	Term Loan	Long Term	1.77	ACUITE BB- Stable (Reaffirmed)
	Letter of Credit	Short Term	1.30	ACUITE A4+ (Reaffirmed)

	Proposed Bank Facility	Long Term	2.61	ACUITE BB- Stable (Reaffirmed)
30 Jan 2019	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)
	Cash Credit	Long Term	1.00	ACUITE BB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BB- Downgraded & Withdrawn
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.30	ACUITE A4 Downgraded & Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.35	ACUITE BB- Downgraded & Withdrawn
Canara Bank	Not Applicable	Term Loan	01-03-2019	11.35	31-03-2022	1.77	ACUITE BB- Downgraded & Withdrawn
Canara Bank	Not Applicable	Term Loan	01-04-2016	11.75	30-04-2023	8.26	ACUITE BB- Downgraded & Withdrawn

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About Acuité Ratings & Research

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