

Press Release

Grind Master Machines Private Limited

June 17, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 6.10 Cr.
Long Term Rating	ACUITE A / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE A**' (read as **ACUITE A**) to the Rs. 6.10 crore bank facilities of Grind Master Machines Private Limited (GMPL). The outlook is '**Stable**'.

Grind Master Machines Private Limited (GMPL), established in 1984 as a partnership firm and later reconstituted as private limited company in 1993 is promoted by Mr. Milind Kelkar and Mrs. Mohini Kelkar. The company offers Specialized Machinery—with Turnkey Solutions using Modular Technology Elements. It provides solutions including Machine, Tools, Support, and Process know how, to add value to the manufacturing operations of the customers. GMPL supplies the Advanced Gear Chamfering/Deburring Machine with Spur and Helical Gears, polishing machines as per the required specifications to Global OEMs across the world. Solutions are provided to the industries like Metal, Automotive, Home appliances, Printing and Packaging, etc. Grind Master has well-established brand name in the field of Metal Finishing.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of GMPL for arriving at the rating.

Key Rating Drivers

Strengths

- Extensive experience of promoters with an established position in the Metal Finishing & Deburring Machine industry with a diversified clientele**

GMPL is one of the major players in the Metal Finishing & Deburring Machine industry and has been undertaking turnkey projects for metal finishing and polishing systems and provide end to end solutions. The promoters, Mr. Milind Kelkar and Mrs. Mohini Kelkar have experience of five decades in this industry. The customer base includes Bharat Forge Limited (BFL), Renault Nissan Automotive India Pvt. Ltd (RNAIPL), Blackhawk de Mexico (BdM), Tianrun Crankshaft Co., Ltd. (TCCL) etc. The company has diversified across the international markets to America, China, Europe, Japan and derives the revenue to the tune of ~50 percent through export sales. GMPL draws repeat business through its long standing relationships with clients. This coupled with continuous R&D capabilities, imparts significant operating flexibility to adapt to changing market conditions. Further, the company also enjoys technical association with IMPCO Technologies, USA. The company has a team of 263 trained people consists of more than 100 qualified and experienced engineers including strong in-house design team which further strengthens execution capabilities.

- Y-O-Y revenue growth backed by healthy order book position**

GMPL's revenues have grown to Rs.129.34 crore in FY2018 from Rs.124.07 crore in FY2017 and Rs.100.03 crore in FY2016. Over the years, the company has built a wide network and healthy trade relations with domestic as well as overseas clients. For FY2019, the revenues are booked to the tune of Rs. 151.89 crore (Provisional). Acuité expects that the company will record healthy revenue growth over the medium term on account of strong order book of Rs.78.60 crore as on 30th May, 2019.

- **Healthy financial risk profile**

GMPL's financial risk profile is marked by healthy net worth, healthy profit margins and consistent revenue growth. The profitability indicators have remained healthy in the past as reflected through RoCE levels of 20.75 – 50.00 percent during 2016-18. Over the recent years the company has maintained a strong revenue growth momentum with CAGR of ~9.00 percent between FY2016 and FY2018. The net worth increased to Rs.112.59 crore as on 31 March, 2018 as against Rs.90.69 crore in the previous year on account of increasing revenue and profitability, leading to higher accretion to reserves. The capital structure of company remained robust with healthy net worth base and gearing of 0.10 times as on March 31, 2018 with limited debt requirements. The coverage indicators also remain robust given low debt and marginal interest outgo, with interest coverage of 41.27 times and Debt/EBITDA of 0.37 times for FY2018. The liquidity position of the company remained healthy, supported by undrawn line of credit and liquid investments of Rs. 76.89 crore as on March 31, 2018. Acuité believes that the financial risk profile will continue to remain healthy on account of healthy cash accruals and minimal reliance on debt.

Weaknesses

- **Continuous dependence on working capital**

The operations are continuously dependent on working capital with GCA (Gross Current Assets) of 230 days as on 31 March, 2018 compared to 164 days in the previous year. The high GCA remains due to higher debtor days at 136 as on 31 March 2018 compared to 96 days as on 31 March, 2017. The receivables are structured as 10-15 per cent advance and 60-70 per cent of contract value on completion of the project and before the dispatch, while 10-15 per cent of retention money is being held back as defect liability period (extending till 12-18 months). The working capital cycle draws support from the high credit period extended by suppliers. Acuité believes that adequate working capital management will remain a key rating sensitivity factor for the company.

- **Cash flows dependent on receipt and timely execution of orders**

GMPL's cash flows are exposed to economic spending and receipts of orders. However, with the current order book position, the company exhibits healthy revenue visibility for near to medium term. Further, on account of elongated execution period from 2 months to 11 months' company is exposed to the risk of timely execution of orders. Acuité believes that it is critical for the company to execute orders in hand within stipulated timelines for sustained performance.

Liquidity position

GMPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.24.46 to Rs.25.63 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs. 2.00 crore to Rs. 5.45 crore over the same period. The cash accruals of the company are estimated to remain around Rs.25.00 – 30.00 crore during 2019-21 while its repayment obligation are estimated to be in the range of Rs.1.50 to Rs. 1.65 crore. The company's operations are moderately working capital intensive as marked by gross current asset (GCA) days of 230 in FY 2018. But the company has low reliance on working capital borrowings, the cash credit limit in the company remains utilized at 20-30 percent during the last 6 months' period ended March 2019. The company maintains unencumbered cash and bank balances of Rs.10.19 crore as on March 31, 2018. The current ratio of the company stands healthy at 2.53 times as on March 31, 2018. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuité believes that the outlook of the company will remain Stable over the medium term on account of promoter's experience and healthy revenue visibility. The outlook may be revised to 'Positive' if the company exhibits significant and sustained growth in scale of operations while maintaining healthy profitability. On the contrary, the outlook may be revised to 'Negative' in case of decline in scale of operations or revenues adversely impacting margins and working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	129.34	124.07	100.03
EBITDA	Rs. Cr.	27.25	30.58	26.21
PAT	Rs. Cr.	18.54	18.85	13.43
EBITDA Margin	(%)	21.07	24.65	26.21
PAT Margin	(%)	14.33	15.20	13.42
ROCE	(%)	20.75	29.79	56.34
Total Debt/Tangible Net Worth	Times	0.10	0.17	0.06
PBDIT/Interest	Times	41.27	67.95	67.16
Total Debt/PBDIT	Times	0.37	0.45	0.13
Gross Current Assets (Days)	Days	230	164	186

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

Not applicable

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
Term Loans	Not Applicable	Not Applicable	Not Applicable	6.10	ACUITE A / Stable

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About Acuité Ratings & Research:

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