

Press Release
Grind Master Machines Private Limited

September 10, 2020



Rating Withdrawn

Total Bank Facilities Rated*	Rs.6.10 Cr.
Long Term Rating	ACUITE A (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn its long term rating of '**ACUITE A** (read as ACUITE A)' on the Rs.6.10 Cr. bank facilities of Grind Master Machines Private Limited (GMPL).

This rating withdrawal is in accordance with the Acuité's policy on withdrawal of rating. The rating is being withdrawn on account of request received from the company and No Objection Certificate (NOC) received from the banker.

GMPL, established in 1984 as a partnership firm and later reconstituted as a 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 industries like Metal, Automotive, Home appliances, Printing and Packaging, etc. Grind Master has a well-established brand name in the field of Metal Finishing.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the GMPL to arrive at this 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) among others. 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.

- **Healthy financial risk profile**

GMPL's financial risk profile is marked by healthy net worth, healthy profit margins and consistent revenue growth. The net worth increased to Rs.134.67 crore as on 31 March 2019 from Rs.112.59 crore as on 31 March, 2018 in the previous year on account of accretion to reserves. The capital structure of the company remained robust with healthy net worth base and gearing of 0.09 times as on 31 March 2019 as against 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 49.80 times and Debt/EBITDA of 0.38 times for FY2019. The liquidity position of the company remained healthy, supported by an undrawn line

of credit and liquid investments of Rs.59.00 crore as on March 31, 2019. Acuité believes that the financial risk profile will continue to remain healthy on account of healthy cash accruals and minimal reliance on debt.

Weaknesses

- **Working capital intensive operations**

The operations are continuously dependent on working capital with GCA (Gross Current Assets) of 297 days as on 31 March, 2019 compared to 230 days in the previous year. The high GCA remains due to higher debtor days at 118 as on 31 March 2018 compared to 136 days as on 31 March, 2017. The receivables are structured as 10-15 per cent advance and 60-70 per cent of the 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. Further, on account of an 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: Adequate

GMPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.24 to Rs.25 crore during the last three years through 2018-19, while its maturing debt obligations were in the range of Rs. 2.00 crore to Rs. 5.45 crore over the same period. The company's operations are working capital intensive as marked by Gross Current Asset (GCA) days of 297 in FY 2019. The company maintains unencumbered cash and bank balances of Rs.6.33 crore as on March 31, 2019. The current ratio of the company stands healthy at 2.54 times as on March 31, 2019. 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

Rating Sensitivities

Not Applicable

Material Covenants

None

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	147.01	129.34
PAT	Rs. Cr.	19.32	18.54
PAT Margin	(%)	13.14	14.33
Total Debt/Tangible Net Worth	Times	0.09	0.10
PBDIT/Interest	Times	49.80	41.27

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>
- 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 (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
17-Jun-19	Term Loans	Long term	6.10	ACUITE A/Stable (Assigned)

*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 loans	Not Available	Not Applicable	Not Available	6.10	ACUITE A (Withdrawn)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President- Corporate and Infrastructure Sector Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Avadhoot Mane Senior Analyst - Rating Operations Tel: 022-49294051 avadhoot.mane@acuite.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.