

Press Release

General Auto Electric Corporation (GAEC)

May 15, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 9.00 Crore
Long Term Rating	SMERA BB+ / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB+**' (read as **SMERA double B plus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.9.00 crore bank facilities of General Auto Electric Corporation. The outlook is '**Stable**'.

The Mumbai-based, General Auto Electric Corporation (GAEC) was established in 1959 as a partnership firm by Mr. Ramesh Gandhi and Mr. Gopal Gandhi. The firm was established by Mr. Hetal R. Gandhi (Partner) and Mr. Nehal G. Gandhi (Partner). GAEC is engaged in the manufacturing of LED signals, track circuit and rolling stock equipment which finds application in Railways. The manufacturing facilities are located at Vasai and Thane in Mumbai.

Key rating drivers

Strengths

Established track record of operations and experienced management:

GAEC was established in 1959. The promoters, Mr. Ramesh Gandhi and Mr. Gopal Gandhi have experience of over five decades in the electronic components industry. Presently, the operations are managed by Mr. Hetal R. Gandhi (Partner) and Mr. Nehal G. Gandhi (Partner), second generation entrepreneurs having over three decades of experience in the said industry.

Moderate financial risk profile:

The financial risk profile is supported by moderate networth of Rs.13.62 crore as on 31 March, 2017 as against Rs.14.38 crore in the previous year. The gearing is comfortable at 0.28 times as on 31 March, 2017 as against 0.11 times in the previous year. The total debt of Rs.3.78 crore majorly comprises working capital facility of Rs.3.62 crore and term loan of Rs.0.16 crore. The Interest Coverage Ratio is healthy at 9.83 times in FY2017 as against 10.00 times in FY2016.

Weaknesses

Moderate scale of operations and profitability:

GAEC reported operating income of Rs.40.35 crore in FY2017 as against Rs.35.41 crore in FY2016 and in FY2018(Provisional), the firm reported operating income of Rs.56.40 crore. The operating margins have improved to 7.21 percent in FY2017 as against 6.71 percent in FY2016. Over the years, the firm has developed close ties with its clientele namely Indian railways, Siemens, L&T among others. GAEC has orders in hand of Rs.36.25 crore which is to be executed within three to six months.

Working capital intensive operations:

The operations are working capital intensive as the firm deals with Indian railways where the credit offered exceeds 60 days. The Gross Current Assets (GCA) stood at 141 days in FY2017 as against 123 days in FY2016. This is mainly on account of high debtors of 76 days and 89 days and inventory of 43 days and 29 days in FY2017 and FY2016, respectively.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of GAEC to arrive at the rating.

Outlook- Stable

SMERA believes that GAEC will maintain a 'Stable' outlook over the medium term on account of the experienced management and established market position. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenue and accruals along with improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant decline in scale of operations or profitability or higher than expected elongation in the working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	40.35	35.41	24.86
EBITDA	Rs. Cr.	2.91	2.38	1.84
PAT	Rs. Cr.	1.68	1.34	0.99
EBITDA Margin	(%)	7.21	6.71	7.39
PAT Margin	(%)	4.16	3.80	3.97
ROCE	(%)	11.45	10.53	17.31
Total Debt/Tangible Net Worth	Times	0.28	0.11	0.39
PBDIT/Interest	Times	9.83	10.00	7.43
Total Debt/PBDIT	Times	1.71	0.82	2.61
Gross Current Assets (Days)	Days	141	123	183

Any other information:

Not Applicable

Applicable Criteria:

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument:

<https://www.smera.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A4+

Contacts:

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 suman.chowdhury@smera.in Leena Gupta Analyst - Rating Operations Tel: 022-67141172 leena.gupta@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: A SMERA 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. SMERA 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, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA 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. SMERA 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.smera.in) for the latest information on any instrument rated by SMERA.