



Press Release
General Auto Electric Corporation
March 12, 2024

Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.00	ACUITE BB+ Reaffirmed & Withdrawn	-
Bank Loan Ratings	4.00	-	ACUITE A4+ Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	9.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn its long-term rating of '**Acuite BB+**' (read as **Acuite double B plus**) on the Rs.5.00 Cr. bank facilities and also reaffirmed and withdrawn the short term rating of '**ACUITE A4+**' (read as **ACUITE A four Plus**) on Rs.4.00 Cr. bank facilities of General Auto Electric Corporation (GAEC). The withdrawal is in accordance with Acuite's policy on withdrawal of ratings. The rating is being withdrawn on account of request received from the company and No Objection Certificate from the lenders.

Rationale for rating reaffirmation

The rating considers by improving net worth, comfortable gearing and healthy debt protection metrics, The rating also draws comfort from the Experienced promoters and Established nature of operations in the industry. These strengths are however, offset by the working capital-intensive in nature of operations.

About the Company

Mumbai based, General Auto Electric Corporation (GAEC) was established in 1959 as a partnership firm. The promoters are Mr. Ramesh Gandhi and Mr. Gopal Gandhi and now the operations are managed by their sons Mr. Hetal R. Gandhi (Partner) and Mr. Nehal G. Gandhi (Partner) having over three decades of experience in the electronic components industry. The firm is engaged in the manufacturing of Power, LED Signals, Track circuit and Rolling Stock equipment's which are used in Railways and also manufactures industrial products like Prog. Dc Electronic Load 97 Series, Regulated DC Power Supply, etc.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone view of the business and financial risk profile of GAEC to arrive at the rating.

Key Rating Drivers

Strengths

Experienced promoters and Established nature of operations

GAEC was established in 1959 by Mr. Ramesh Gandhi and Mr. Gopal Gandhi. The current partners of the firm are Mr. Ramesh Gandhi, Mr. Hetal Gandhi, Mr. Nehal Gandhi, Mrs. Purna

Gandhi and Mr. Geet Gandhi who possess an industry experience of over four decades in the same line of business. The partners' longstanding experience has helped GAEC in securing repeated orders from the Indian Railways and private sector entities. Acuité believes that GAEC will continue to benefit from the partners' experience in the industry, its established presence and improving business risk profile over the medium term.

Average financial risk profile

The financial risk profile of the company is marked by improving net worth, comfortable gearing and healthy debt protection metrics. The revenue of the company stood at Rs.93.39 Cr. in FY2023 as compared to Rs. 77.30 Cr. as on FY2022. The tangible net worth of the company stood at Rs. 36.62 Cr. as on FY2023 as compared to Rs. 29.19 Cr. as on FY2022 due to accretion to reserves. The gearing of the company stood at 0.80 times as on FY2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.29 times as on FY2023. The debt protection metrics of the company remain healthy marked by Interest coverage ratio (ICR) of 7.36 times and debt service coverage ratio (DSCR) of 5.16 times for FY2023. The net cash accruals to total debt (NCA/TD) stood healthy at 0.28 times in FY2023.

Going forward, Acuité believes that the financial risk profile will remain average over the medium term, supported by steady accrual, moderate capital structure and debt protection metrics.

Weaknesses

Working capital intensive nature of operations

The working capital intensive nature of operations of the company improved as reflected by Gross Current Assets (GCA) of 264 days for FY2023 as compared to 195 days for FY2022. The debtor period stood at 197 days as on FY2023 as compared to 152 days as on FY2022. Further, the inventory days of the company stood at 42 days in FY2023 as compared to 28 days in FY2022. Creditors stood at 117 days as on FY2023.

Acuité believes that the working capital operations of the company will remain at the similar levels over the medium term.

Rating Sensitivities

Not Applicable

Liquidity Position

Adequate

The company has adequate liquidity marked by net cash accruals of Rs 8.12 Cr. as on FY2023 as against nil. long-term debt over the same period. The cash and bank balance stood at Rs. 2.80 Cr for FY 2023. Further, the current ratio of the company stood at 2.45 times in FY2023. The working capital cycle of the company is marked by Gross Current Assets (GCA) of 264 days for FY2023 as compared to 195 days for FY2022. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of low but steady cash accruals, term debt repayments and financial flexibility of promoters to bring in funds in business over the medium term.

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	93.39	77.30
PAT	Rs. Cr.	7.72	7.14
PAT Margin	(%)	8.27	9.23
Total Debt/Tangible Net Worth	Times	0.80	0.67
PBDIT/Interest	Times	7.36	6.44

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>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
25 Jul 2023	Cash Credit	Long Term	5.00	ACUITE BB+ Not Applicable (Reaffirmed & Issuer not co-operating*)
	Bank Guarantee/Letter of Guarantee	Short Term	4.00	ACUITE A4+ (Reaffirmed & Issuer not co-operating*)
26 Apr 2022	Bank Guarantee/Letter of Guarantee	Short Term	4.00	ACUITE A4+ (Downgraded & Issuer not co-operating*)
	Cash Credit	Long Term	5.00	ACUITE BB+ Not Applicable (Downgraded & Issuer not co-operating*)
03 Feb 2021	Cash Credit	Long Term	5.00	ACUITE BBB+ Stable (Upgraded from ACUITE BB+)
	Bank Guarantee (BLR)	Short Term	4.00	ACUITE A2 (Upgraded from ACUITE A4+)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of India	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE A4+ Reaffirmed & Withdrawn
Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BB+ Reaffirmed & Withdrawn

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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