



## Rating Rationale

### Ghatge Patil Industries Limited

12<sup>th</sup> October, 2017

Brickwork Ratings assigns Fixed Deposit rating to Ghatge Patil Industries Limited (GPIL).

#### Particulars

Facility	Limits (Rs. Crores)	Tenure	Rating*
Fixed Deposit (FD)	65.00	Long Term	<b>BWR FBB+</b> [Pronounced BWR F Double B Plus] (Outlook – Stable)
<b>Total</b>	<b>65.00</b>	<b>(INR Sixty Five Crores Only)</b>	

Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings.

\*In terms of Ministry of Corporate Affairs, Government of India notification dated 15<sup>th</sup> September 2015, companies to be eligible to raise Public Deposits are required to have a minimum rating of BWR FBBB.

#### Rationale/Description of Key Rating Drivers/ Rating sensitivities:

In assigning the rating to Ghatge Patil Industries Limited (GPIL or 'the company'), BWR has considered the long and established track record of operations of the company and long standing experience of the promoters. The ratings are, however, constrained by below average financial risk profile of the company with weak operating profit margin of 5.58% in FY17 and low debt coverage indicators with interest service coverage ratio of 0.65x in FY17, deterioration in liquidity profile of the company marked by pending realization of receivables from group companies and subdued sales from product division from past two years which is a high margin division which has impacted the bottom line of the company.

#### Key Rating Determinants

##### Credit Strengths

- Long and established track record of operations with experienced promoters.
- Long-standing relationship with the reputed clientele and modest order book position.
- Comfortable Gearing (D/E) of 0.93x in FY16 to 0.94x in FY17.



### **Credit Concerns**

- a) Continuous deterioration in the debt protection metrics marked by ISCR of 4.43x in FY15 to 0.65x in FY17 and DSCR of 3.89x in FY15 to 0.78x in FY17
- b) Deterioration in liquidity profile of the company marked by pending realization of receivables of Rs. 127.23 Crs from group companies as of 31/3/2017. However as of 15/9/2017, the company has received ~Rs. 24.80 Crs from one of its group company (Omni Valve Co LLC)
- c) low demand from the end user industry
- d) The Company's manufacturing facility at Uchagaon has been granted "Mega Project Status" by Government of Maharashtra and therefore, is eligible for Industrial Promotion Subsidy (IPS) under Packaged Scheme of Incentive (PSI) 2007. Out of Subsidy receivable of Rs. 41.61 Crs in FY17, ~Rs. 25.63 Crs has been received as of 4th July, 2017). Timely receipt of remaining subsidy income in the near term is vital for the company.

Going forward, the ability of the company to meet its projected turnover and profitability in light of subdued sales from product division, keep its receivables position in control and manage any mismatch in cash flows for repayment of its debt obligations will be the key rating sensitivities.

### **Rating Outlook: Stable**

BWR believes the Ghatge Patil Industries Limited business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the company increases its scale of operations significantly along with improving its profitability margins. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

### **Analytical Approach**

BWR has factored into standalone business and financial risk profile of the Company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked below.

### **About the Company**

Ghatge Patil Industries Limited (GPIL) was established by Mr. J.B. Patil and Mr. V.M. Ghatge as a partnership firm in 1960 in Kolhapur, Maharashtra, which was reconstituted as a limited company in the same year. GPIL was co-managed by the 'Ghatge' and the 'Patil' families till 1989 post which it was restructured and since then has been managed by the 'Patil' family. At present, the company is unlisted. GPIL has two divisions-the foundry division and the product division.



The foundry division has an installed capacity of 78,000 MT (metric tonnes) and manufactures grey iron castings and S G Iron castings (Spheroidal Graphite Iron casting) having weight of 10 to 250 kg. The foundry division caters to automotive industries (primarily tractor manufacturers). The product division is engaged in manufacturing of industrial valves, gear box and clutches primarily catering to the Oil & Gas industry and the Marine industry.

For the foundry division the % utilization capacity stood at 58.22% in FY17 as against 48.84% in FY16. Foundry division constitutes to ~77.5% of sales in FY17 as against 67% in FY16, whereas product division constitutes to ~18.9% of sales in FY17 as against 22.09% in FY16. ~80% to 85% of revenue is from domestic sales and rest is from export sales. The company is also generating revenue from sale of energy (company is operating a Wind Mill which was operational from FY15), the revenue from sale of energy was of Rs. 4.48 Crs in FY15 and has increased to Rs. 14.55 Crs in FY17.

#### Company Financial Performance

Key Financial Parameters	FY17 (Audited)	FY16 (Audited)
<b>Total Operating Income</b>	Rs. 417.33 Cr	Rs. 451.13 Cr
<b>EBIDTA</b>	Rs. 23.28 Cr	Rs. 63.01 Cr
<b>PAT</b>	Rs. (-)4.08 Cr	Rs. (-)0.67 Cr
<b>Tangible Net worth</b>	Rs. 265.3 Cr	Rs. 268.76 Cr
<b>Total Debt/TNW</b>	0.94 times	0.93 times
<b>Current Ratio</b>	1.23 times	1.24 times

The company has posted revenue from operations of Rs. 228.41 Crs (~73% is from foundry division and ~22% is from product division and rest is from sale of energy) for the period 1<sup>st</sup> April, 2017 to 31<sup>st</sup> August, 2017. The company has posted EBITDA of Rs. 32.90 Crs and PBT of Rs. 6.72 Crs for the same period. The tangible net worth of the company stood at Rs. 265.3 Crs as on 31-3-2017.

#### Rating History for the last three years:

Sl. No.	Entity	Current Rating (Year 2017)			Rating History		
		Type (Long Term /Short Term)	Amount (Rs. Crs)	Rating	2016	2015	2014
1	Ghatge Patil Industries Limited	Long Term	65.00	BWR FBB+ [Pronounced BWR F Double B Plus] (Outlook - Stable)	NA	NA	NA
Total			65.00	(INR Sixty Five Crores Only)			

**NA: Not Available**



**Status of non-cooperation with previous CRA (if applicable): Reason and comments:** Not Applicable

**Any other information:** NIL

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

For any other criteria obtain hyperlinks from website

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**Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9, 30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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