

Rating Rationale

G.S. Auto International Limited

5 Nov 2018

Brickwork Ratings revises the ratings for the bank loan facilities of G.S. Auto International Limited.

Particulars

Particulars	Previous Amount (Rs. Crs)	Present Amount (Rs. Crs)	Previous Rating (August-2017)	Present rating
Fund Based				
Term Loan*	13.18	13.18	BWR D (Pronounced as BWR D)	BWR B- (Pronounced as BWR B minus) Outlook: Stable Upgrade
Proposed Term Loan	16.50	22.00		
Cash Credit	27.25	27.25		
Proposed Cash Credit	2.00	2.00		
Non Fund Based				
ILC/FLC	5.50	5.50	BWR D (Pronounced as BWR D)	BWR A4 (Pronounced as BWR A Four) Upgrade
Total	64.43	69.93	(INR Sixty Nine Crores and Ninety Three lakhs Only)	

*Term Loan O/s as on 22-10-2018 stood at Rs. 2.96 Crs; please refer to BWR website www.brickworkratings.com/ for definition of the ratings.

Rating Action: Revision in the ratings to BWR B-/A4/Stable (Upgrade)

Rationale:

The revision in the ratings factor in the satisfactory conduct of account and standard asset quality and as per the no default statement submitted by the company, they have confirmed there are no delays in servicing of their debt obligations for month ended October 2018; all their overdues having been paid. The ratings are, however, constrained by the weak financial position of G.S. Auto International Limited (GSAIL or ‘the company’), marked by weak debt protection metrics and stretched liquidity cycle, working capital intensive nature of operations and intense competition in the industry. The ratings continue to factor in the long and established track record of the promoters in the industry, reputed customer base, strong distribution network and recognized brand “GS”.

Going forward, the ability of the company to manage any mismatch in cash flows for repayment of its debt obligations, improve scale of operations & profitability and manage working capital efficiently would be the key rating sensitivities.

Key Rating Drivers:

Credit Strengths

- a) Long track record of operations with experienced promoters.
- b) Established brand name and distribution network.
- c) Satisfactory conduct of account and standard asset quality and further as per the no default statement submitted by the company, they have confirmed there are no delays in servicing of their debt obligations in month ended October 2018 and all their over dues had already been paid.

Credit Weaknesses

- a) Below average financial risk profile of the company marked by weak debt protection metrics with ISCR of 0.71x and DSCR of 0.45x in FY18 and poor liquidity position reflected by current ratio of 0.64x in FY18.
- b) Working capital intensive nature of operations and intense competition from the established players in the industry.
- c) Inherent cyclical nature of the industry loss making operations at the PAT level from past three years i.e. from FY16 to FY18.

Rating Outlook: Stable

BWR believes the **G.S. Auto International Limited's** 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 in the standalone business parameters and financial risk profile of the company to arrive at the rating. Reference may also be made to the Rating Criteria hyperlinked below.

About the Company

G.S. Auto International Limited (GSAIL) was originally set up as a proprietorship concern, Gurmukh Singh & Sons. The firm was reconstituted as a private limited company in 1973, and then as a public limited company in 1984. GSAIL is listed on the BSE. The company manufactures automotive components such as suspensions and fasteners for commercial vehicles from its two manufacturing units, located at Ludhiana and at Jamshedpur. The company is

utilizing around 85-90% of the installed capacity at the Ludhiana unit and around 30% of installed capacity at the Jamshedpur unit.

Company Financial Performance

Key Financial Parameters	FY17(A)	FY18(A)
Net sales (Rs. Crs)	118.38	130.80
EBIDTA (Rs. Crs)	0.21	3.32
PAT (Rs. Crs)	-5.85	-3.74
D/E (times)	1.23	1.11

The tangible net worth of the company stood at Rs. 32.50 Crs as on 31-3-2018.

Rating History for the last three years:

SI. No.	Instrument/Facility	Current Rating (2018)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs. Crs)	Rating	August 2017	March 2017	2016
1	Term Loan*	Long Term	13.18	BWR B-/Stable	BWR D	BWR BB-/Stable	NA
2	Proposed Term Loan	Long Term	22.00	BWR B-/Stable	BWR D	BWR BB-/Stable	
3	Cash Credit	Long Term	27.25	BWR B-/Stable	BWR D	BWR BB-/Stable	
4	Proposed Cash Credit	Long Term	2.00	BWR B-/Stable	BWR D	BWR BB-/Stable	
5	ILC/FLC	Short Term	5.50	BWR A4	BWR D	BWR A4	
Total			69.93	(INR Sixty Nine Crores and Ninety Three Lakhs Only)			

*Term Loan O/s as on 22-10-2018 stood at Rs. 2.96 Crs

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](#)

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For print and digital media

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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 Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities



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