



## Press Release

### G. G. Automotive Gears Limited

January 29, 2024

#### Ratings:

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Fund Based Bank Facility	19.76	IVR BB+/Stable; Withdrawn  (IVR Double B plus with Stable outlook and withdrawn)	IVR BB+/Stable  (IVR Double B plus with Stable outlook)	Reaffirmed and withdrawn	Simple
Short Term Non-Fund Based Bank Facility	3.50	IVR A4+; Withdrawn  (IVR Single A four plus and withdrawn)	IVR A4+  (IVR Single A four plus)	Reaffirmed and withdrawn	Simple
<b>Total</b>	<b>23.26</b>	<b>Rupees Twenty-Three Crore Twenty-Six Lakhs Only</b>			

#### Details of Facilities are in Annexure 1

#### Detailed Rationale:

Infomerics Valuation and Rating Private Limited has reaffirmed and simultaneously withdrawn the long term/Short term ratings assigned to the bank facilities of G. G. Automotive Gears Limited at IVR BB+/Stable/IVR A4+ with immediate effect. The above action has been taken at the withdrawal request of G. G. Automotive Gears Limited and 'No Objection Certificate' received from the banker (Union Bank of India) who have extended the facilities, and which is rated by Infomerics.

The rating is withdrawn in accordance with Infomerics' Policy on Withdrawal of ratings.



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**Key Rating Sensitivities:** Not Applicable as ratings withdrawn.

**List of Key Rating Drivers with Detailed Description:**

### **Key Rating Strengths**

#### **Experienced directors & management team**

The company is being managed by experienced directors and promoters. Collectively, they have rich experience in the industry. Mr Kennedy Gajra, Chairman and MD has more than 30 years of experience in manufacturing, marketing and administration in Gear Industry. He has got good exposure of ASEAN and other international market, while handling exports of Gears for 23 years. Mr. Anmol, Fourth-Generation Entrepreneur, has more than 5 years of experience in Gear Industry

The company has a team of experienced and capable professionals, having over two decades of experience in the segment, to look after the overall management. The day-to-day operations of the company are looked after by the senior management who have considerable experience in the current line of business.

#### **Established track record of operations**

The company was established in the year 1974. The promoter along with the directors on the board has extensive experience in the industry. Backed by their experience, they have been able to maintain long-term relations with the Indian Railways and have also been able to identify opportunities in backward integration. The company also caters as Original Equipment Manufacturers (OEMs) to Integral Coach Factory, Crompton Greaves Ltd, Kirloskar Electric Company, Paharpur Cooling Towers and BHEL.

#### **Improvement in Scale of Operations and Profitability Margins though the same remained moderate**

GGAG`s total operating income improved by 62.69% Y-o-Y i.e., from Rs. 47.50 Crore in FY22 to Rs. 77.28 Crore in FY23 on account of higher execution of orders, though the scale of operations continued to remain moderate. EBITDA margin decreased by 226 bps from 12.18% in FY22 to 9.91% in FY23. PAT margin increased to 2.50% in FY23 as against 0.84% in FY22. The GCA of the company for FY23 is Rs. 6.01 Crore (FY22: Rs. 3.57 Crore).

### **Key Rating Weaknesses**

**Moderately leveraged capital structure and moderate debt protection metrics**



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Company's capital structure remained moderately leveraged marked by overall gearing ratio of 1.47x as on March 31, 2023 (March 31, 2022: 1.58x) and long-term debt-equity of 0.83x as on 31 March 2023 as against 0.74x as on 31 March 2022. TOL/TNW stood at 2.22 times as on 31 March 2023 and Total Debt/GCA is 5.43 years in FY23. Interest coverage ratio was 2.92x in FY23 as against 2.47x in FY22.

### **Susceptibility of margins to volatility in raw material prices**

Numerous non-ferrous & ferrous alloys are used as a raw material for automotive application in this industry. The prices of these raw materials are highly volatile in nature and can impact the profitability of the company.

### **Working capital intensive operations**

The company's operations remain highly working capital intensive in nature owing to the stretched receivables especially from Government customers that account for a major share of its revenues. The same has led to high utilization of its working capital limits. The average collection period improved from 66 days in FY22 to 59 days in FY23. However, the Operating cycle is elongated at 81 days in FY23.

### **Tender based business**

The company deals with clients, which provide orders on a tender basis. The company thus has to be successful in bidding the tenders. In the medium term, the company's ability to bid for large orders and qualifying for the same is a factor to be seen. Also, the company manufactures and supplies majorly to the Indian Railways, leading to limited bargaining power in terms of pricing. However, the promoters' established experience & relations partially mitigates the risk. Also, these tender-based orders provide revenue visibility for the medium term.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria for assigning the Rating outlook](#)

[Policy on Withdrawal of Ratings](#)

**Liquidity: Adequate**



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The company has an adequate liquidity position. There are long-term secured borrowings from banks, amounting to Rs. 5.15 crore, as on 31 March 2023 against a current portion of long-term debt (CPLTD) of Rs 2.69 crore in FY23. The company had a cash accrual of Rs. 6.01 crore in FY23. The company projected to generate cash accruals of Rs. 8.66 crore in FY2024 against a CPLTD of Rs. 2.54 crore and Rs. 10.71 crore against a CPLTD of Rs. 2.39 crore. With the adequate expected cash accruals against repayments, the liquidity position will remain adequate.

### About the Company

Incorporated in February 1974, G. G. Automotive Gears Limited (GGAG) acts a leading manufacturer of manufacturing of traction gears and pinions, based out of Dewas, Madhya Pradesh.

### Financials: Standalone

(Rs. Crore)

For the year ended* / as on	31-03-2022	31-03-2023	9MFY24
	Audited	Audited	Provisional
Total Operating Income	47.50	77.28	65.91
EBITDA	5.78	7.66	7.83
PAT	0.40	1.94	3.19
Total Debt	32.03	32.59	34.04
Adjusted Tangible Net-Worth	25.56	27.77	22.20
<b>Ratios</b>			
EBITDA Margin (%)	12.17	9.91	11.88
PAT Margin (%)	0.84	2.50	4.84
Overall Gearing Ratio (x)	1.58	1.47	1.53

\*Classification as per Infomerics` standards

**Status of non-cooperation with previous CRA - Brickworks Ratings** vide its Press Release dated 14-Mar-2023 classified the case under Issuer Not Cooperating category on account of non-submission of relevant information.

**Any other information:** Not Applicable

### Rating History for last three years:

Sr. No.	Current Ratings (Year 2023-24)	Rating History for the past 3 years



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	Name of Instrument/ Facilities	Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022- 23 (March 30, 2023)	Date(s) & Rating(s) assigned in 2022-23 (September 15, 2022)	Date(s) & Rating(s) assigned in 2021- 22 (July 20, 2021)	Date(s) & Rating(s) assigned in 2020- 21 (April 21, 2020)
1.	Fund Based	Long Term	19.76	IVR BB+/Stable. (Reaffirmed and withdrawn)	IVR BB+/ Stable	IVR BB+/ Stable	IVR BB+/ Stable	IVR BBB- /Stable
2.	Non-Fund Based	Short Term	3.50	IVR A4+ (Reaffirmed and withdrawn)	IVR A4+	IVR A4+	IVR A4+	IVR A3

### Name and Contact Details of the Rating Analyst:

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit [www.infomerics.com](http://www.infomerics.com) .

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	--	--	March 2026	2.76	IVR BB+/Stable; Withdrawn
Cash Credit	--	--	--	17.00	IVR BB+/Stable; Withdrawn
Bank Guarantee	--	--	--	3.50	IVR A4+; Withdrawn

**Annexure 2: List of companies considered for consolidated analysis:** Not Applicable

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-GG-Automotive-jan24.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:** Not Applicable

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).