

GS Auto International Limited

April 24, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	39.47	CARE C; Stable	Revised from CARE B+; Stable
Short Term Bank Facilities	5.50	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in the ratings assigned to the bank facilities of GS Auto International Limited (GSAIL) factors in delays and defaults in the guaranteed debt for the group entities G.S Consumer Products Private Limited (GSCPPL) and G.S Autocomp Private Limited (GSAPL)] and subsequent initiation of recovery proceedings by the lenders by issuing a notice u/s 13(4) of The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI) being guarantor for the bank facilities of GSCPPL and GSAPL. Further, the ratings continue to be constrained by GSAIL's modest scale of operations coupled with net losses, weak debt coverage indicators and elongated operating cycle. Further, the ratings are also constrained by risk associated with raw material price volatility risk, cyclical nature of the industry and its presence in a highly competitive auto component industry severely impacted by the slowdown. The ratings derive comfort from experienced promoters coupled with long track record of operations, association with reputed customer base and its moderate capital structure.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operations to around Rs.180.00 crore and above over the medium term on sustained basis.
- Improvement in Gross cash accruals of Rs 5.00 crores
- Improvement in the capital structure as marked by overall gearing ratio of below 1.00x.

Negative factors

- Any adverse outcome for GSAIL in the SARFAESI proceedings initiated by lenders for guaranteed debt of group entities.
- Deterioration in profitability margins of the company as marked by PBILDT margin below Rs 3.00 crores.
- Continued elongation in the operating cycle beyond 190 days.

Analytical approach: Standalone

Outlook: Stable

CARE believes, outlook will remain stable on account of experience of promoters in auto industry.

Detailed description of the key rating drivers:

Key Weaknesses

Delays and defaults for guaranteed debt and subsequent initiation of SARFAESI proceedings by lenders: GS Auto International Limited has extended corporate guarantee to the tune of Rs 5.08 crore for working capital limits of its group concerns, G.S Consumer Products Private Limited and G.S Autocomp Private Limited which are classified Nonperforming assets (NPA) by its lenders. The bank has initiated SARFAESI against the group companies GS Consumer Products Private Limited and GS Autocomp Private Limited. The total outstanding amount including interest is Rs 0.65 crores and Rs 5.55 crores respectively as on March 31, 2023. Further, by factoring of the outstanding debt of the said group entities, debt service metrics of the company is expected to be weak over the medium term.

Raw material price volatility risk: The company is exposed to the raw material price volatility risk due to the volatility experienced in the prices of steel and allied products as their prices fluctuates frequently due to demand supply gap. GSAIL procure materials such as mild steel, EN steel, aluminium scrap, copper scrap, etc. constitute a major component of the raw

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

material i.e., around 50% of the total cost of production for the last 3 years (FY20-FY22), hence any volatility in their prices of raw materials has a direct impact on the profitability margins of the company.

Cyclical nature of industry: GSAIL fortunes are linked to those of the automobile industry, which is cyclical in nature. The demand for automobiles has a significant impact on the demand and prices of the products manufactured by the company. A fall in the demand and/or prices would adversely impact the financial performance of the company

Presence in a highly competitive auto component industry: GSAIL operates in a highly competitive industry wherein there is presence of numerous players in the unorganized and organized sectors. Furthermore, the auto component industry is largely unorganized and constitute of around 45-50% of the overall industry size. The unorganized segment primarily caters to the replacement market and to tier II and III suppliers. The organized segment primarily caters to the OEM segment.

Modest scale of operations couples with net losses: GSAIL's scale of operations stood moderate though improved as marked by total operating income of Rs 100.17 crores and gross cash accruals of Rs 1.20 crores respectively, during FY22 (FY refers to the period April 1 to March 31) as against Rs 77.52 crore and Rs 0.26 crores respectively, during FY21. Nevertheless, the scale remains modest; it limits the company's financial flexibility in times of stress. GSAIL's has incurred net losses of Rs (3.13) crore in FY22. Further, the company has achieved total operating income of Rs 91.68 crores during 9MFY23 (refers to the period from April 1,2022 to December 31,2022; based on provisional results) and is expected to clock revenue of around Rs 120.00 crore in FY23 backed by orders in hand. The company has also incurred net loss of Rs. (1.54) crores during 9MFY23.

Weak debt coverage indicators: The debt coverage indicators of the company stood weak as marked by interest coverage ratio and total debt to GCA of 2.14x and 30.70x respectively for FY22 as against 1.04x and 137.73x respectively for FY21. During H1FY23 the interest coverage stood at 1.15x. The interest coverage is expected to remain weak on account of high interest over the medium term as envisaged.

Elongated operating cycle: The operations of the company is working capital intensive as marked by elongated operating cycle of 130 days for FY22 (PY:157 days). Owing to large product portfolio (different type of designs, sizes etc), the company is required to maintain adequate inventory at each processing stage for smooth running of its production processes and to ensure prompt delivery to its customers resulting in an average inventory holding period of around 116 days for FY21. The company has to offer liberal credit period to its customers as majority of them are large sized players which possess high bargaining power resulting in an average collection period of 68 days for FY22. The company receives an average credit period of around 2-3 months from its suppliers resulting in an average creditor's period of 54 days for FY22. The working capital borrowings of the company remained 85%-90% utilized during the past 12 months ending March 2023.

Key strengths

Experienced promoters coupled with long track record of operations: The operations of GSAIL are currently being managed by Mr. Jasbir Singh Ryait, Mr Surinder Singh, Ms Amarjit Kaur Ryait, Mrs Dalvinder Kaur Ryait and Mr. Harkirat Singh Ryait. Mr. Jasbir Singh Ryait (Chairman & Managing Director), has done B.E. (Mechanical Engineering) and holds vast accumulated experience of nearly three decades in auto industry through his association with this entity. Mr. Surinder Singh (Managing Director) is a graduate and holds vast accumulated experience of nearly three decades in auto industry through his association with this entity. They are ably supported by other directors of the company in managing day-to-day operations of the company. GSAIL has a considerable track record in this business which has resulted in long term relationships with both suppliers and customers.

Association with reputed customer base: GS Auto International Limited has been operational for more than eight decades in the industry and has been able to establish healthy relationships with its customers. Association with reputed customers coupled with repeated orders enhances the image of the company in the market regarding product quality. Over these years the company has established business relationship with reputed companies like Tata Motors Limited (rated 'CARE AA-; Stable/CARE A1+'), Ashok Leyland Limited, Maruti Suzuki Limited, SML Isuzu Limited, VE Commercial Vehicles Limited, etc. and its vendors.

Moderate capital structure: As on March 31,2022 the debt profile of the company consists of term loan of Rs 20.07 crores, vehicle loan of Rs 1.18 crore, financial lease of Rs 0.16 crore and working capital borrowings of Rs 15.51 crores against the tangible net worth base of Rs 24.11 crore. The working capital borrowings reduces from Rs 27.25 crore to Rs 16.50 crores and the reduced amount is converted into working capital demand loans. The capital structure of the company stood moderate over the past three balance sheet dates ending March 20' to March 22' on account of high debt levels against the moderate net worth base. Adjusted overall gearing stood at 1.74x as on March 31,2022 showing marginal deterioration from 1.53x as on March 31,2021 mainly on account of high debt levels coupled with moderation in net worth due to losses incurred.

Liquidity: Stretched

The liquidity position of the company remained stretched characterized by tightly matched accruals along with the net losses incurred vis-à-vis repayment obligations. Further, the working capital limits are 85-90% utilized for the past 12 month's period ending March 2023. However, the company has moderate unencumbered cash & bank balances which stood at Rs.1.15 crore as on March 31, 2022. In case on any adverse outcome for SARFAESI proceedings for GSAIL, the liquidity position of the company is expected to remain stretched over the medium term.

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Auto Ancillary Companies](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Automobile and Auto Components	Auto Components	Auto Components & Equipments

GS Auto International Limited was initially established as a proprietorship firm in the year 1938. Later in 1973, it gets converted into private limited company as "Gurmukh Singh & Sons Private Limited". Subsequently in 1985, it was reconstituted as a Public Limited Company and renamed as the present one. The company is currently being managed by Mr. Jasbir Singh Ryait, Mr. Surinder Singh, Ms. Amarjit Kaur Ryait, Mrs. Dalvinder Kaur Ryait and Mr. Harkirat Singh Ryait. The company is engaged in the manufacturing of automotive suspension and fastening components for Indian and International utility vehicles, commercial vehicles (LCVs, MCVs and HCVs), passenger vehicles, multi-axle vehicles, trailers and special purpose vehicles. The manufacturing facility of the company is done through two units; Ludhiana (Punjab) and Jamshedpur (Jharkhand). The company has an installed capacity to manufacture 10,000 MTs per annum for machined and forged categories and 16,500 MTs per annum of casting items. 3 CARE Ratings Limited Press Release The products are sold under the brand name "GS International". The company mainly caters to original equipment manufacturers (OEM's), replacement market and export ~4% of its products to countries like Brazil, Morocco and Germany. The company has three associate concerns namely; "G S Autocomp Private Limited" (incorporated in 2006) engaged in the manufacturing of auto components, "G.S. Consumer Products Private Limited" (incorporated in 2006) engaged in the manufacturing of auto components and "Gurmukh Singh International LLP" (established in 2015) engaged in the trading of auto components.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23 (UA)
Total operating income	77.52	100.17	91.68
PBILDT	4.48	7.16	3.97
PAT	-3.73	-3.13	-1.54
Overall gearing (times)	1.35	1.53	NA
Interest coverage (times)	1.04	2.14	1.15

A: Audited; UA: Unaudited; NA: Not available; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: GSAIL has not cooperated with Brickwork and Infomeric which has classified it in noncooperative category vide press release dated December 21, 2022 and February 27,2023 respectively

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	16.50	CARE C; Stable
Fund-based - LT-Term Loan		-	-	June, 2030	22.97	CARE C; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	0.50	CARE A4
Non-fund-based - ST-ILC/FLC		-	-	-	5.00	CARE A4

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT	22.97	CARE C; Stable	-	1)CARE B+; Stable (24-Nov-22)	1)CARE B+; Stable (28-Dec-21)	-
2	Fund-based - LT-Cash Credit	LT	16.50	CARE C; Stable	-	1)CARE B+; Stable (24-Nov-22)	1)CARE B+; Stable (28-Dec-21)	-
3	Non-fund-based - ST-ILC/FLC	ST	5.00	CARE A4	-	1)CARE A4 (24-Nov-22)	1)CARE A4 (28-Dec-21)	-
4	Non-fund-based - ST-Bank Guarantee	ST	0.50	CARE A4	-	1)CARE A4 (24-Nov-22)	1)CARE A4 (28-Dec-21)	-

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple
4	Non-fund-based - ST-ILC/FLC	Simple

Annexure-5: Lender detailsTo view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:

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