Grauer & Weil (India) Limited

December 21, 2023

Facilities/Instruments	Amount (₹ crore)	Ratings[1]	Rating Action
Long-term bank facilities	100.00	CARE AA-; Stable	Reaffirmed
Short-term bank facilities	45.00	CARE A1+	Reaffirmed
Fixed deposit	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Grauer & Weil (India) Limited (GWIL) continue to derive strength from GWIL's leadership position in the domestic electroplating chemical industry, whereby it has around 30% market share along with the long-standing experience of its promoters in this business. The ratings also draw comfort from its moderately diversified earnings profile, established clientele, growth in its scale of operations. The ratings continue to derive strength from its strong financial risk profile marked by healthy profitability, low leverage, strong debt coverage indicators, and strong liquidity.

The above rating strengths are, however, tempered by GWIL's relatively moderate scale of operations with a large part of income being contributed by the surface finishing segment and from single end-user industry viz., automobiles. The ratings also continue to remain constrained by the susceptibility of its profitability margin to raw materials price fluctuations and its moderate capex plans in the near term.

CARE Ratings Limited (CARE Ratings), at the request of GWIL, has withdrawn the rating assigned to the proposed fixed deposit (FD) issue of GWIL with immediate effect, as the company has not raised the FD and there is no amount outstanding under the issue as on date.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained improvement in profit before interest, lease rentals, depreciation and taxation (PBILDT) margin of over 25%.
- Further diversification of its revenue profile (both in terms of product and geography) with key product segment contributing not more than 30%-45% to its total operating income (TOI).

Negative factors

- PBILDT margin declining below 15% on a sustained basis.
- Any debt-funded capex/acquisition resulting in total debt/PBILDT above 2x on a sustained basis.
- Substantial reduction in liquidity position (un-encumbered cash and investment in FD) below ₹100 crore

Analytical approach: Consolidated

CARE Ratings has considered the consolidated financials for arriving at the ratings of GWIL, as all its subsidiaries and associates are in the similar line of business. The list of companies considered is shown in **Annexure-6.**

Outlook: Stable

CARE Ratings believes that GWIL would continue to maintain its dominant position in the domestic electroplating chemical industry leading to maintaining its comfortable financial risk profile.

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

Detailed description of the key rating drivers

Key strengths

Well-established position coupled with vast experience of the promoters in the domestic electroplating chemical industry

GWIL, with a track record of over six and half decades in the electroplating business, continues to have a leadership position in the domestic electroplating chemicals industry, with around 30% market share. GWIL is promoted by the More family, with Umeshkumar More currently serving as the Chairman, being associated with the company since July 1969. His rich experience of more than five decades helps the company in strategic planning and expansion of the business. He is assisted by his son, Nirajkumar More, Managing Director, a Bachelor of Business Administration from UK. Besides, the company has a team of well-qualified professionals for heading various functional departments.

Moderately diversified revenue profile

The company's revenue profile is moderately diversified owing to its operations under different business divisions: surface finishing (of which electroplating chemicals, paints, oil and lubricants are sub-divisions) contributing to 86% of TOI for FY23, followed by engineering contributing to 10% of TOI for FY23 and shopping mall contributing to 4% of TOI for FY23. Furthermore, the electroplating chemicals division has a wide basket of products, and the chemicals manufactured by the company find application in various industries such as automobiles, home fittings, consumer durables, gems and jewellery, etc. The product profile in paints include high-performance industrial coatings, pipeline coatings, marine coatings, anti-fouling coatings, besides aerospace and defence coatings. From FY22 onwards, the company also forayed into the decorative paints segment and intends to leverage its industrial clientele base to increase its revenue from this segment. The engineering division is involved in manufacturing and providing turnkey solutions for electroplating plants, effluent treatment plants, and other engineering products. Apart from the above, the company also has a shopping mall spread over 475,000 sq. ft. at Kandivali (Mumbai suburbs) with 246,647 sq. ft. of leasable area as on November 30, 2023. The diversified revenue profile has helped the company reduce its dependency as well as tide over any downturn in a particular business segment, as was evident during the COVID-19 pandemic, when income and profitability of the mall segment had declined; the same was largely compensated by improved performance of its other two business segments. However, automobile continues to be the major end-user industry for GWIL as it contributes around 50%-60% to its TOI. Thus, there is high degree of reliance on single end-user industry.

Improved revenue with healthy profitability margins

GWIL's TOI, on a consolidated basis, increased by 28% on a y-o-y basis to ₹985.51 crore in FY23, led by growth in all the three business segments. Also, the company's operating margin improved by 118 bps in FY23 to 16.20% supported by improved profitability of mall post full-fledged operations of the mall resumed from October 2021 onwards, wherein recovery has been speedy with increased footfalls. Although contribution of the mall segment in the total revenue stood low (around 5%), it contributes heavily to GWIL's profitability, as profit before interest and taxes (PBIT) margin from this segment stood at more than 78% in FY23. Any competition in the catchment area might impact the performance of the mall segment.

Surface finishing continues to be highest contributing segment to the revenue and profitability with revenue of around ₹849 crore (around 86% of the total revenue) whereby growth of this segment is led mainly by increased demand from automotive segment in the domestic market. Engineering division's performance has also improved over the years led by improved order execution whereby its revenue has almost doubled in the last four years to around ₹100 crore in FY23.

Furthermore, during H1FY24, GWIL's operating margin significantly improved and stood at 23.67% mainly due to softening of raw material prices during the period. Going forward, CARE Ratings expects the financial performance of the entity to remain healthy with steady performance in all the business divisions in the near term.

Comfortable capital structure and debt coverage indicators

Owing to its robust cash accruals, the company continues to finance its operational and capex requirements largely through internal accruals, leading to a strong capital structure, marked by an overall gearing of 0.04x as on March 31, 2023. GWIL continued to have no long-term debt except unsecured loans from the promoters and lease liabilities. Moreover, with no major debt-funded planned capex, the overall gearing of the company is expected to remain at a comfortable level. On the back of minimal debt and strong accruals, its debt coverage indicators also stood highly comfortable, marked by total debt (TD)/gross cash accruals (GCA) of 0.19x and interest coverage of 63.11x during FY23.

Liquidity: Strong

GWIL's liquidity indicators continue to remain strong marked by unencumbered liquid investment in fixed deposits, mutual funds and cash of approximately ₹410 crore as on September 30, 2023 (₹353 crore as on March 31, 2023) and largely unutilised cash credit limit of ₹100 crore. Furthermore, the company is expected to generate healthy cash accruals, which is more than sufficient to meet its current capex requirement.

With a gearing of 0.04x as on March 31, 2023, the issuer has sufficient gearing headroom to raise additional debt for its capex. Its current ratio continues to remain comfortable at 3.09x, with operating cycle at 71 days in FY23. Its largely unutilised bank lines are more than adequate to meet its incremental working capital needs over the next year.

Key weaknesses

Growing yet moderate scale of operations with susceptibility of profitability to volatility in raw material prices and forex risk

The TOI of GWIL witnessed an increase of around 27% in FY22 on y-o-y basis and further 28% in FY23 on y-o-y basis to ₹985.51 crore. However, considering the long-standing presence of GWIL in the business, its scale of operations remained moderate.

In the chemical segment, the company's raw materials are various kinds of metals, which are used in powder form for plating and coating, which continue to remain highly volatile. On the other hand, the industrial paints have crude oil derivatives as majority of its raw materials, whereby the prices of raw materials are linked to crude oil prices, which is again volatile in nature. In the chemical division, GWIL has been largely able to pass on the increase in raw material prices in a timely manner on the back of its leadership position in the electroplating chemical segment. However, as pricing for supply of industrial paints are decided at the time of bidding, the profit margins of the paints division remain exposed to the volatility in input prices. Moreover, being a relatively small player in this division, the pricing power is also low.

As the company's operations involve the import of raw materials and export of its products, it involves transactions in foreign currencies, which are done mostly in Yen, US Dollar, and Euro. During FY23, the imports accounted for ₹92.05 crore as against exports of ₹63.40 crore. The company has a policy of hedging majority of its imports; however, the receivables are normally kept open, and hence, are exposed to foreign exchange fluctuations.

Moderate capex plans

GWIL has planned a total capex of around ₹176 crore in the next three years period ending FY26, whereby major capex requirements are towards expansion of its capacity for decorative paints, setting up a research and development (R&D) centre, and expanding capacity of its electroplating chemicals with some minor capex at each of its manufacturing facilities. Also, its earlier envisaged capex for mall expansion has been put on hold in the medium term. This capex programme is proposed to be largely funded from internal accruals and from its available liquidity with very low reliance on term debt. Realisation of the envisaged returns from the capex will be critical to maintain its comfortable return on capital employed (ROCE).

Environment, social and governance (ESG) risk assessment

Risk factors	Compliance and action by the company
Environmental	• The company has implemented a comprehensive environmental management system and uses low carbon technologies and practices • In order to monitor the air pollution the company has installed emissions monitoring systems to accurately measure and track pollutants emitted from its operations. • The company recycled/ reused 31% of the total waste generated during FY23.
Social	• During FY23, GWIL incurred Rs. 1.91 crore expense on various CSR activities which is in line with required CSR expenditure as per Companies Act. • During FY23, there were no complaints relating to child labour, forced labour, involuntary labour, sexual harassment of women at workplace. • During FY23, median increase in salary of employees of GWIIL stood at 13.36% as against 6.49% during FY22.
Governance	• Out of total strength of 8 directors on its board, 4 are independent directors. • Policy on related party transactions, after carrying out the necessary modifications in line with the amendments in Companies Act from time to time, is placed on the website of the company. • During FY23, there were no whistle blower complaints received from the employees and directors by the company and company received 4 complaints from shareholders and one complaint is pending to be resolved at the end of FY23.

Applicable criteria

[Policy on default recognition](#)
[Consolidation](#)
[Financial Ratios – Non financial Sector](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Credit Watch](#)
[Short Term Instruments](#)
[Manufacturing Companies](#)
[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Commodities	Chemicals	Chemicals & petrochemicals	Commodity chemicals

GWIL, initially set up as a partnership concern in May 1940 by British nationals – Grauer and Weil, was taken over by the More family in 1991, subsequent to a series of changes in the promoters.

GWIL operates in three broad business segments – surface finishing, engineering and shopping mall. The surface finishing segment comprise of chemicals division, paints division, and oil division. Under the chemical division, it manufactures and sells chemicals required for metal finishing (electroplating chemicals), their intermediates, and other specialty chemicals. Under the paints division, it manufactures mainly industrial paints and under the oil division, it manufactures various oils and lubricants. The engineering segment is involved in manufacturing and providing turnkey solutions for electroplating plants, effluent treatment plants, and other engineering products. GWIL also owns a shopping-cum-entertainment mall at Kandivali East (Growels 101), in Mumbai.

Brief Financials-Consolidated (₹ crore)	FY22 (A)	FY23 (A)	H1FY24 (UA)
Total operating income	770.43	985.51	463.93
PBILDT	115.75	159.70	109.80
PAT	78.77	112.95	74.36
Overall gearing (times)	0.04	0.04	0.02
PBILDT Interest coverage (times)	35.71	63.11	196.07

A: Audited, UA: Unaudited, Financials are reclassified as per CARE Ratings' standards.
Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

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

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/ facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fixed Deposit		-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit		-	-	-	100.00	CARE AA-; Stable
Non-fund-based - ST-BG/LC		-	-	-	45.00	CARE A1+

Annexure-2: Rating history of 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-Cash credit	LT	100.00	CARE AA-; Stable	-	1)CARE AA-; Stable (31-Oct-22)	1)CARE AA-; Stable (05-Nov-21)	1)CARE AA-; Stable (06-Oct-20) 2)CARE AA-; Stable (11-May-20)
2	Non-fund-based - ST-BG/LC	ST	45.00	CARE A1+	-	1)CARE A1+ (31-Oct-22)	1)CARE A1+ (05-Nov-21)	1)CARE A1+ (06-Oct-20) 2)CARE A1+ (11-May-20)
3	Fixed deposit	LT	-	Withdrawn	-	1)CARE AA-; Stable (31-Oct-22)	1)CARE AA- (FD); Stable (05-Nov-21)	1)CARE AA- (FD); Stable (06-Oct-20)

Annexure-3: Detailed explanation of covenants of the rated facilities: Not applicable

Annexure-4: Complexity level of various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fixed deposit	Simple
2	Fund-based - LT-Cash credit	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure 5: Lender details

To 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.

Annexure 6: List of entities that have been consolidated in GWIL:

Sr. No.	Name of the entity	% shareholding of GWIL as on March 31, 2023
1.	Grauer & Weil (Shanghai) Limited	100.00
2.	Growel Chemicals Co. Limited	100.00
3.	Kamtress Automation Systems Pvt Ltd.	100.00
4.	Grauer & Weil Engineering Private Limited	29.99
5.	Growel Sidasa Industries Private Limited	49.80

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Ranjan Sharma Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3453 E-mail: ranjan.sharma@careedge.in
Relationship Contact Saikat Roy Senior Director **CARE Ratings Limited** Phone: 91 22 6754 3404 E-mail: saikat.roy@careedge.in	Hardik Manharbhai Shah Director **CARE Ratings Limited** Phone: +91-22-6754 3591 E-mail: hardik.shah@careedge.in Richa Bagaria Associate Director **CARE Ratings Limited** Phone: +91-33-4018 1653 E-mail: richa.jain@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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