

## GS Auto International Limited

December 26,2023

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	39.47	CARE C; Stable	Reaffirmed
Short Term Bank Facilities	5.50	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The reaffirmation of 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 during FY23 (refers to the period April 01,2022 to March 31,2023), weak financial risk profile 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 and association with reputed customer base. The ratings also take into cognizance the improvement in operational performance of the company during H1FY24 (refers to the period April 01,2023 to September 30,2023) marked by better profitability and growth in scale of operations.

### 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. The bank is under process to liquidate one of the mortgaged collaterals to set off the dues. The said liquidation of collateral will result in partial setting of outstanding dues and balance is expected to paid off by promoters of group entities using personal funds.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Modest and declining scale of operations coupled with net losses in FY23.** GSAIL's scale of operations improved by 29% y-o-y and stood at Rs 129.59 crores for FY23. The same, however, stood modest. Further, the company reported negative gross cash accruals on account of higher interest obligation than PBILDT generated during FY23. The modest scale of operation limits the company's financial flexibility in times of stress. GSAIL has achieved total operating income of Rs 72.79 crores during H1FY24 (refers to the period from April 1,2023 to September 30,2023; based on provisional results) and is expected to clock revenue of around Rs 140 crore in FY24 backed by orders in hand. Further, the company turned profitable during H1FY24 with PBILDT margin of 6.79% and PAT margin of 0.44%.

**Weak financial risk profile:** As on March 31,2023, the debt profile of the company consists of term loan of Rs 19.93 crores, financial lease of Rs 0.18 crore, unsecured loan of Rs 2.03 crores and working capital borrowings of Rs 14.73 crores against the tangible net worth base of Rs 21.17 crore. Further, the company has extended corporate guarantee for its group concerns which stood at Rs 6.19 crores as on March 31,2023. During FY21, the working capital limit was converted to working capital demand loan, hence the borrowing is reducing. The capital structure as marked by overall gearing of the company moderated to 2.03x as on March 31,2023 against previous year ratio of 1.74x due to increase in debt on account of unsecured loan from promoters along with moderation in net worth due to writing off losses.

Further, the debt coverage indicators of the company stood weak as marked by interest coverage ratio of 0.78x and total debt to PBILDT ratio of 9.58x against previous year ratio of 2.14x and 5.16x respectively. During H1FY24, the interest coverage ratio improved and stood at 1.95x. The liquidity profile is poor considering the interest obligation of GSAIL is higher than PBILDT generated during FY23. The repayment obligations will be met through infusion of funds by promoters.

**Elongated operating cycle.:** The operations of the company stood elongated marked by operating cycle of 89 days for FY23 (PY:130 days). Owing to large product portfolio (different type of design, 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 84 days for FY23. The company has to offer liberal credit power as compared to GSAIL resulting in an average collection period of 47 days for FY23. The company receives an average credit period of around 1-2 months from its suppliers resulting in average creditor's period of 42 days for FY23. The working capital borrowings of the company remained 95% utilized during past twelve months ending November 2023.

**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 material i.e., around 50% of the total cost of production for the last 3 years (FY21-FY23), 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.

## 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 (rated CARE AA; Stable; CARE A1+), Maruti Suzuki Limited, SML Isuzu Limited, VE Commercial Vehicles Limited, etc. and its vendors.

### 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. The company has reported negative gross cash accruals (GCA) to the extent of Rs.0.97 crore during FY23, however during H1FY24, GSAIL has reported positive GCA to the tune of Rs 2.21 crore and is expected to generate envisaged GCA of Rs.4.40 crore for FY24 against repayment obligations of Rs.4.27 crore. Further, the working capital limits are 95% utilized for the past 12 month's period ending November 2023. However, the company has adequate free cash & bank balances which stood at Rs.0.98 crore as on March 31, 2023.

### Applicable criteria

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

### 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, 2022 (A)	March 31, 2023 (A)	H1FY24 (UA)
Total operating income	100.17	129.59	72.79
PBILDIT	7.16	3.85	4.94
PAT	-3.13	-2.79	0.32
Overall gearing (times)	1.53	1.74	2.51
Interest coverage (times)	2.14	0.78	1.95

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

#### Status of non-cooperation with previous CRA:

GSAIL has not cooperated with Brickwork and Infomerics which has classified it in noncooperative category vide press release dated December 21, 2022 and June 07,2023 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 C; Stable (24-Apr-23)	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 C; Stable (24-Apr-23)	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-Apr-23)	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-Apr-23)	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 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.

### Contact us

<p><b>Media Contact</b></p> <p>Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a></p> <p><b>Relationship Contact</b></p> <p>Ankur Sachdeva Senior Director <b>CARE Ratings Limited</b> Phone: 91 22 6754 3444 E-mail: <a href="mailto:Ankur.sachdeva@careedge.in">Ankur.sachdeva@careedge.in</a></p>	<p><b>Analytical Contacts</b></p> <p>Sajan Goyal Director <b>CARE Ratings Limited</b> Phone: 91-120-4452017 E-mail: <a href="mailto:sajan.goyal@careedge.in">sajan.goyal@careedge.in</a></p> <p>Rajan Sukhija Assistant Director <b>CARE Ratings Limited</b> Phone: 91-120-4452062 E-mail: <a href="mailto:Rajan.Sukhija@careedge.in">Rajan.Sukhija@careedge.in</a></p> <p>Rashmi Batra Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:Rashmi.Batra@careedge.in">Rashmi.Batra@careedge.in</a></p>
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