

G. K. Founders Private Limited

February 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	40.64 (Enhanced from 39.00)	CARE BBB-; Stable / CARE A3	Reaffirmed
Short Term Bank Facilities	9.36	CARE A3	Reaffirmed
Long Term Bank Facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of G. K. Founders Pvt Ltd derives strength from the established market position of the company as secondary aluminium manufacturer, long term relationship with reputed customers with track record of repeat business from them. The ratings however are constrained by modest scale of operations, exposure to volatility in raw material prices, foreign exchange fluctuation risk and highly competitive nature of the industry leading to low profitability margins. The company is also exposed to cyclical nature of automobile industry. Also, Care Ratings has withdrawn the outstanding ratings of 'CARE BBB-; Stable' assigned to the HDFC Bank facility (GECL) of G. K. Founders Private Limited with immediate effect. The above action has been taken at the request of G. K. Founders Private Limited and 'No Dues Certificate' received from the bank that have extended the facilities rated by CARE Ratings.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant growth in revenues to more than 400 crores while maintaining PBILDT margin at 5%
- Improvement in interest coverage ratio above 5 times and TOL/TNW below 0.75 times.

Negative factors

- Any significant debt funded capex
- Significant deterioration in revenues to below Rs. 200 crores with decline in PBILDT margin below 2.5% on sustainable basis
- Deterioration in TOL/TNW to more than 1.5 times.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes GKFPL will continue to benefit from the vast experience of the promoters in the industry and their established relationships with customers.

Detailed description of the key rating drivers:

Key strengths

Established market position and experienced management:

The promoters have over three decades of experience in the non-ferrous metal industry. They have been in the aluminium recycling business for over 30 years through GKFPL, which has capacity of around 16,800 tonne per annum.

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

Established relationship with customers

GKFPL supplies aluminium ingots to automotive, electrical, power and consumer durable industries. Over the years, the company has built upon a strong network through its deliverables. The past track-record has helped the company in generating repeat business.

Moderate financial risk profile

The capital structure of the company is comfortable with overall gearing at 0.42x as on March 31, 2024 (PY: 0.49x). The interest coverage ratio increased marginally from 1.71x in FY23 to 2.25x in FY24 owing to increase in operating profitability and Total Debt/GCA improved from 6.96x in FY23 to 4.91x in FY24.

Key weaknesses**Competitive and fragmented nature of the secondary aluminium industry**

Companies, which manufacture aluminium/aluminium alloys from aluminium scrap, are classified under the secondary aluminium producer's category, while companies manufacturing aluminium through bauxite are referred to as primary aluminium producers. The secondary players are small and are highly unorganized. Although the share of Asia over the years in the production of secondary aluminium is on the rise, the Asian landscape is majorly dominated by primary producers. In India major percentage of domestic aluminium production is attributed to primary producers, the secondary aluminium market is highly unorganized and has not been developed on account of poor scrap gathering. The aluminium alloy manufacturers not just face a severe threat from the primary producers but also face intense competition owing to the fragmented nature of the industry, leading to lower margins for the industry.

Highly susceptible to volatility in LME prices

The prices of aluminum are benchmarked with LME prices, which have been very volatile in the past years. For a secondary producer like GKFPL, volatility in aluminum prices can lead to fluctuations in profitability.

Exposure to volatility in raw material prices with low profitability margins

Key raw material is metal scrap. Since the cost of raw materials constitutes 88-90% of the total cost, the company remains exposed to volatility in input prices. Though any sharp rise in raw material prices is passed on to customers, it happens with a lag. Thus, the company is exposed to volatility in Aluminium prices in LME. The profitability margins declined in FY23 as the company incurred inventory loss due to significant decline in Aluminium prices within a short time span. During FY24 PBILDT margins improved to 2.90% as compared to 1.93% in FY23. The sales volume improved marginally during FY24 as compared to FY23.

Susceptible to foreign exchange fluctuation risk

The company is exposed to fluctuation in foreign exchange rates as it imports scrap from Middle East, China, UK, Europe, Australia. Thus, it is exposed to risk related to foreign exchange fluctuation. The company has no policy to hedge forex risk and takes need based forward cover. During FY24, company reported forex gain of Rs. 2.06 crore (Gain of Rs. 1.92 crore in FY23). However, GKFPL has availed a PSR facility from HDFC Bank to hedge the same for Rs. 3 crores. During FY24 there was foreign currency outflow of Rs. 165.53 crore (FY23- Rs. 192.33 crore) on account of import purchases and foreign currency inflow of Rs. 30.55 crore on account of export sales (FY23- Rs. 2.55 crore).

Liquidity: Adequate

The company's liquidity is adequate as marked by principal term loan repayment obligation of Rs. 0.99 crore in FY25 as compared to expected gross cash accruals of around 4-4.5 crores. It has cash and cash equivalent of Rs. 0.05 crore in FY24 (PY: Rs. 0.09 crore). The average utilisation of working capital facilities is 81% for 12 months ending December 2024 and provides some backup. The cash flow from operations increased from Rs. 1.16 crores in FY23 to Rs. 5.32 crores in FY24. The current ratio is comfortable at 2.07 times in FY24 (PY 2.15 times).

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Non Ferrous Metal](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Withdrawal Policy](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals & Mining	Non - Ferrous Metals	Aluminium

G. K. Founders Private Limited (GKFPL) was incorporated as a Private Limited Company by Sohanlal Ranka and Shantidevi Ranka on 11th October 1988. The company is engaged in the business of manufacturing Aluminium Alloy Ingots. The promoters have thirty-four years of experience in the industry. The company has an installed capacity of 16,800 Metric Tonnes Per Annum (MTPA) at its manufacturing facility located in Wada. GKFPL primarily supply its products for electrical industry, automobile and consumer durable industry.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	8MFY25 (UA)
Total operating income	260.81	260.13	189.74
PBILDT	5.02	7.53	5.81
PAT	2.22	3.17	NA
Overall gearing (times)	0.49	0.42	NA
Interest coverage (times)	1.71	2.25	NA

A: Audited UA: Unaudited NA: Not Available; 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 for last three years: Please refer Annexure-2

Detailed explanation of covenants of rated instrument / facility: 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT/ ST-Cash Credit		-	-	-	40.64	CARE BBB-; Stable / CARE A3
Non-fund-based - ST-Bank Guarantee		-	-	-	0.86	CARE A3
Non-fund-based - ST-Forward Contract		-	-	-	8.50	CARE A3
Term Loan-Long Term		-	-	2030	0.00	Withdrawn

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 2024-2025	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
1	Fund-based - LT/ ST-Cash Credit	LT/ST	40.64	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (06-Feb-24)	1)CARE BBB-; Stable / CARE A3 (08-Feb-23)	-
2	Term Loan-Long Term	LT	-	-	-	1)CARE BBB-; Stable (06-Feb-24)	1)CARE BBB-; Stable (08-Feb-23)	-
3	Non-fund-based - ST-Bank Guarantee	ST	0.86	CARE A3	-	1)CARE A3 (06-Feb-24)	1)CARE A3 (08-Feb-23)	-
4	Non-fund-based - ST-Forward Contract	ST	8.50	CARE A3	-	1)CARE A3 (06-Feb-24)	1)CARE A3 (08-Feb-23)	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-Cash Credit	Simple
2	Non-fund-based - ST-Bank Guarantee	Simple
3	Non-fund-based - ST-Forward Contract	Simple
4	Term Loan-Long Term	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 based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

<p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in</p>	<p>Analytical Contacts</p> <p>Krunal Pankajkumar Modi Director CARE Ratings Limited Phone: 079-40265614 E-mail: krunal.modi@careedge.in</p> <p>Arunava Paul Associate Director CARE Ratings Limited Phone: 912267543667 E-mail: arunava.paul@careedge.in</p> <p>Aman Goel Rating Analyst CARE Ratings Limited E-mail: Aman.goel@careedge.in</p>
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

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.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For detailed Rationale Report and subscription information,
please visit www.careedge.in**