

G. M. Dalui And Sons Private Limited

March 31, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	6.00	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Short-term Bank Facilities	13.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	19.00 (Rs. Nineteen crore only)		

*Issuer did not cooperate; Based on best available information

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from G. M. Dalui And Sons Pvt. Ltd. (GMSPL) to monitor the rating(s) vide e-mail communications dated March 17, 2022, March 22, 2022, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, GMSPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on GMSPL's bank facilities will now be denoted as **CARE B; Stable/CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been moved to ISSUER NOT COOPERATING category on account of lack of availability of adequate information. The ratings assigned to the bank facilities of GMSPL continue to remain constrained by small scale of operations with low profitability margins, exposure to volatility in prices of raw materials, working capital intensive nature of operations, stiff competition due to fragmented and cyclical nature of the industry with presence of many unorganized players and leveraged capital structure with moderate debt coverage indicators. The ratings, however, continue to derive comfort from the qualified and experienced promoters along with a diversified and reputed clientele base.

Detailed description of the key rating drivers

At the time of last rating on March 23, 2021, the following were the rating strengths and weaknesses (updated for part information received from GMSPL)

Key Rating Weaknesses

Small scale of operation with low profitability margins

The overall scale of operations of the company remained small marked by total operating income of Rs.23.51 crore (FY20: Rs.18.34 crore) and PAT of Rs.0.47 crore (FY20: Rs.0.34 crore) in FY21. Further, the net worth was moderate at Rs.5.92 crore as on March 31, 2021. The small size restricts the financial flexibility of the company in times of stress and it suffers on account of economies of scale. The profitability margins have improved during FY21 but the same remained moderate marked by PBILDT and PAT margins of 18.22% and 2.02%, respectively, during FY21.

Exposure to volatility in prices of raw materials

The raw material cost remained the major cost driver for GMSPL. So, any adverse movement in prices of raw materials with no corresponding change in the prices of the final goods can have an adverse impact on the profit margins of the company. The degree of backward integration defines the ability of the company to minimize price volatility risk and withstand cyclical downturns generally witnessed in the industrial valves industry. Since the raw material is the major cost driver for GMSPL accounting for about 71.81% of the total cost of sales in FY20, any southward movement of finished goods price with no decline in raw material price result in adverse performance of the company.

Working capital intensive nature of operations

The operations of the company remained working capital intensive as the funds remained blocked in debtors with a high average collection period and high inventory period. The average collection period stood high at 177 days (FY20: 246 days) along with high inventory period of 327 days (FY20: 346 days) in FY21. Further the average creditor period was high at 216 days (FY20: 245 days). Accordingly, the operating cycle remained elongated at 287 days in FY21 as against 347 days in FY20.

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

Stiff competition due to fragmented and cyclical nature of the industry with presence of many unorganized players

GMDSP operates in a highly competitive valves manufacturing industry which is also highly fragmented in nature with many small and medium sized players operating across India. Competition from international suppliers along with presence of many large numbers of unorganized domestic players restricts the profitability of industry players like GMDSP.

Leveraged capital structure with moderately weak debt coverage indicators

The capital structure of the company has remained leveraged marked by overall gearing ratio of 3.17x (3.24x as on March 31, 2020) as on March 31, 2021. However, the overall gearing ratio has marginally improved as on March 31, 2021, on account of accumulation of surplus into reserves. Furthermore, the debt coverage indicators also remained moderately weak marked by interest coverage ratio of 1.34x (FY20: 1.45x) and total debt to GCA of 20.06x (FY20:22.49x) in FY21. Deterioration in interest coverage was due to high interest expenses.

Key Rating Strengths

Qualified and experienced promoters with long track record of operations

Since its inception, the company has been engaged in same line of business and accordingly has established a long track record of operations in the industry. Further, the directors have more than three decades of experience in industrial valves industry and have established relationships with its customers and suppliers. The key director, Mr. Nirmal Kumar Dalui, having more than four decades of experience in the same line of business, looks after the day-to-day operations of the company along with other directors and a team of experienced professionals who have rich experience in the similar line of business.

Diversified and reputed clientele base

GMDSP has a diversified clientele base, and the company has developed strong relationship with its customers which aids in bagging repeat orders, thus providing stability of revenues. The company sells goods to some of the reputed customers like Grasim Industries Limited, Bharat Heavy Electricals Limited, Larsen and Turbo, Steel Authority of India Limited, JSW Infrastructure Limited etc.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Criteria for Short Term Instruments](#)

[Manufacturing Companies](#)

About the Company

GMDSP was initially constituted as a partnership firm in March 1975, by the Dalui family based out of Howrah, West Bengal. However, it was converted into a private limited company in July 2002. Since its inception, the company has been engaged in manufacturing and sale of industrial valves which are mainly used in different industries like power, irrigation etc. The company has its sole manufacturing facility at Howrah, West Bengal with a manufacturing capacity of approximately one lakh pieces of industrial valves per annum.

The manufacturing facility of the company has ISO 9001:2008 certification which helps in the wide acceptance of its products in the market. Moreover, the sluice valves and gas valves are approved by Fluid Control Research Institute (FCRI) and supplied under Indian Standards Institute (ISI) certification for the Indian market. This results in compliance with the highest level of performance and safety requirements before entering service.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22
Total operating income	18.34	23.51	NA
PBILDT	2.99	4.28	NA
PAT	0.34	0.47	NA
Overall gearing (times)	3.24	3.17	NA
Interest coverage (times)	1.45	1.34	NA

A: Audited; NA: Not Available

Status of non-cooperation with previous CRA: Non-cooperation with CRISIL Ratings. CRISIL B; Stable (INC)/ CRISIL A4 (INC) vide press release dated March 18, 2021.

Any other information: Not Applicable

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

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

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	6.00	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - ST-Bill Discounting/ Bills Purchasing		-	-	-	4.00	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	9.00	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating history of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	6.00	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable (23-Mar-21) 2)CARE B; Stable (28-Aug-20)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (26-Mar-20) 2)CARE B+; Stable (28-Jun-19)	-
2	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	4.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (23-Mar-21) 2)CARE A4 (28-Aug-20)	1)CARE A4; ISSUER NOT COOPERATING* (26-Mar-20) 2)CARE A4 (28-Jun-19)	-
3	Non-fund-based - ST-Bank Guarantee	ST	9.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (23-Mar-21) 2)CARE A4 (28-Aug-20)	1)CARE A4; ISSUER NOT COOPERATING* (26-Mar-20) 2)CARE A4 (28-Jun-19)	-

*Issuer did not cooperate; Based on best available information

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

Annexure-4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - ST-Bill Discounting/ Bills Purchasing	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. 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.

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About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

Disclaimer

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