

## Galaxy Bearings Limited

February 20, 2020

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term/Short Term Bank Facilities	-	-	Reaffirmed at 'CARE BBB-; Stable/CARE A3' and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at 'CARE A3' and Withdrawn
<b>Total Facilities</b>	-		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale, Key Rating Drivers and Detailed description of the key rating drivers

CARE has reviewed the rating assigned to the bank facilities of Galaxy Bearings Limited (GBL) to CARE BBB-; Stable/CARE A3 and has simultaneously withdrawn it, with immediate effect. The ratings to the bank facilities of Galaxy Bearings Limited (GBL) derive comfort from experienced promoters with its long-standing relationship with reputed customer base, improvement in scale of operations and healthy profitability, comfortable capital structure as well as debt coverage indicators and adequate liquidity. The ratings, however, remained constrained due to its working capital intensive operation, susceptibility of its profitability to raw material price as well as foreign exchange rate fluctuations and its presence in a competitive industry with demand linked to the cyclical automobile industry.

The rating withdrawal is at the request of GBL and 'No Objection Certificate' received from the banks that have extended the facilities rated by CARE.

### Detailed description of the key rating drivers

#### Key Rating Strengths

##### ***Experienced promoters with its long-standing relationship with reputed customer base***

GBL is headed by Mr. Vinodrai Kansagara and Mr. Bharatkumar Ghodasara, who looks after overall functions of the company and holds experience of more than three decades in same line of business. Further, in its long standing span of operation GBL has established relationship with some of the reputed cliental of Automobile Industry.

##### ***Improvement in scale of operations and healthy profitability***

The scale of operation marked by total operating income (TOI) of GBL improved by 38.29% and remained moderate at Rs.74.73crore during FY19 as against Rs.54.04crore during FY18 on back of increased demand of its products. However, TOI was moderated in 9MFY20(UA) on back of slowdown in end user industry and remained at Rs.38.77 crore.

The profitability of GBL remained comfortable as marked by PBILDT margin of 14.47% during FY19 as against 14.53% during FY18. However, it has increased to Rs.10.81crore during FY19 from Rs.7.85crore during FY18 in absolute terms. Consequence of the same with decrease in interest and depreciation expenses, PAT margin improved and remained healthy at 8.82% during FY19 as against 6.67% during FY18. However on back of moderation in scale of operation in 9MFY20(UA) profitability slightly moderated but remained healthy marked by PBILDT Margin of 14.06% and PAT Margin of 8.31%.

##### ***Comfortable capital structure and debt coverage indicators***

The capital structure remained comfortable marked by overall gearing ratio of 0.30 times as on March 31, 2019 as against 0.24 times as on March 31, 2018 on back of comfortable networth base. Further, it was also remained comfortable as on December 31, 2019 at 0.27 times.

On back of comfortable profitability with comfortable gearing position, debt coverage indicators also remained comfortable marked by total debt to GCA ratio of 1.24 times as on March 31, 2019 as against 1.27 times as on March 31, 2018. Interest coverage ratio also remained at 14.86 times in FY19 as against 6.61 times in FY18. Further, as on December 31, 2019 debt coverage indicators also remained healthy marked by total debt to gross cash accruals ratio of 1.84x while interest coverage of 30.28x during 9MFY20.

### Key Rating Weaknesses

#### ***Working Capital intensive operation***

The operations of GBL remained working capital intensive marked by elongated operating cycle of 130 days in FY19 against 147 days in FY18. GBL has to maintain high level of inventory along with extended credit period offered to its customers owing to which operating cycle remains elongated.

#### ***Susceptibility of its profitability to raw material price as well as foreign exchange rate fluctuations***

Raw material cost incurred by GBL constitutes around 62% of its total cost. As a consequence, GBL's profitability is dependent on the vagaries of price fluctuation in its primary raw material i.e. steel bars. However, in the export market, exposure to raw

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications



material price fluctuation is mitigated to a certain extent because of the cost plus pricing model wherein GBL's realizations would be based on the raw material cost plus conversion cost plus profit margin. GBL's exports majority of its products, while it procures its entire raw material requirement domestically; thereby exposing it to risk of exchange rate movement.

***Presence in a competitive industry with demand linked to the cyclical automobile industry***

GBL operates in a highly competitive industry wherein there is presence of a large number of players in both unorganized and organized sectors. Further, GBL is engaged in manufacturing of tapered roller bearings, cylindrical roller bearings and ball bearings for commercial vehicles, its performance is highly dependent on the performance of the automobile industry. Any adverse movement in the end user industry will impact performance of GBL.

**Liquidity:**

***Adequate Liquidity***

Liquidity remained adequate marked by adequate cash accruals of Rs.7.61 crore in FY19 against its nil repayment obligations for FY20. However, Cash flows from operating activity has turned negative and remained at Rs.0.82 crore as against positive CFO of Rs.4.37crore owing to blockage of funds into receivables coupled with decrease in creditors. Furthermore, the average utilization of its working capital limits remained low at 15% for past 12-months ended January 2020. However, cash and bank balance remained low at Rs.0.86crore as on March 31, 2019 as against Rs.0.18crore as on March 31, 2018. However, As on December 31, 2019, Cash & Bank balance remained at Rs.11.83crore.

**Analytical Approach: Standalone**

**Applicable Criteria**

[Policy on Withdrawal of Ratings](#)

[Criteria on assigning Outlook to Credit Rating](#)

[Rating Methodology- Manufacturing Companies](#)

[CARE's Policy on Default Recognition](#)

[Financial Ratios- Non Financial Sector](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology-Auto Ancillary Companies](#)

**About the Company**

Galaxy Bearings Limited (GBL) was incorporated in 1990 and is currently listed on the Bombay Stock Exchange (BSE). The company is engaged in the manufacturing of tapered roller bearings, cylindrical roller bearings and ball bearings for commercial vehicles. GBL acts as a contract manufacturer for other bearing manufacturers like Action Construction Equipment Limited, Escorts Limited, Tritech Engineering Holdings Limited, Delux Bearings Private Limited. The company has its manufacturing facility located near Rajkot, Gujarat with a manufacturing capacity of 21 lakh bearings per annum and caters to the automotive original equipment manufacturers, industrial, defence, state transport and after market segments.

Brief Financials (Rs. crore)	FY18 (A)	FY19(A)
Total operating income	54.04	74.73
PBILDT	7.85	10.82
PAT	3.61	6.59
Overall gearing (times)	0.24	0.30
Interest coverage (times)	6.61	14.86

*A: Audited*

Further during 9MFY20(UA) GBL has reported PAT of Rs.3.23 crore on TOI of Rs.38.77 crore .

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History (Last three years):** Please refer Annexure-2



**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT/ ST-CC/PC/Bill Discounting	-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC	-	-	-	0.00	Withdrawn
Non-fund-based - ST-Credit Exposure Limit	-	-	-	0.00	Withdrawn

**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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT/ ST-CC/PC/Bill Discounting	LT/ST	-	-	-	1)CARE BBB-; Stable / CARE A3 (04-Mar-19) 2)CARE BBB-; Stable / CARE A3 (06-Feb-19)	1)CARE BBB-; Stable / CARE A3 (01-Mar-18)	1)CARE BB+; Stable / CARE A4+ (29-Mar-17)
2.	Non-fund-based - ST-BG/LC	ST	-	-	-	1)CARE A3 (04-Mar-19) 2)CARE A3 (06-Feb-19)	1)CARE A3 (01-Mar-18)	1)CARE A4+ (29-Mar-17)
3.	Non-fund-based - ST-Credit Exposure Limit	ST	-	-	-	1)CARE A3 (04-Mar-19) 2)CARE A3 (06-Feb-19)	1)CARE A3 (01-Mar-18)	1)CARE A4+ (29-Mar-17)
4.	Fund-based - LT/ ST- Stand by Line of Credit	LT/ST	-	-	-	1)Withdrawn (04-Mar-19) 2)CARE BBB-; Stable / CARE A3 (06-Feb-19)	1)CARE BBB-; Stable / CARE A3 (01-Mar-18)	1)CARE BB+; Stable / CARE A4+ (29-Mar-17)
5.	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (06-Feb-19)	1)CARE BBB-; Stable (01-Mar-18)	1)CARE BB+; Stable (29-Mar-17)

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.



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### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

### Disclaimer

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