

Rating Advisory

June 21, 2018 | Mumbai

Govind Rubber Limited

Advisory as on June 21, 2018

This rating advisory is provided in relation to the rating of Govind Rubber Limited

The key rating sensitivity factors for the rating include:

- Timely servicing of debt

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from Govind Rubber Limited (GRL) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If GRL continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016 and SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

About The Company

GRL, incorporated in 1985, is engaged in manufacturing of tyres and tubes. The company's business operations are overseen by Mr. Vinod Poddar. GRL has its manufacturing facilities located at Ludhiana, Punjab.

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Rating Rationale

March 06, 2017 | Mumbai

Govind Rubber Limited

Ratings Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.150 Crore
Long Term Rating	CRISIL D (Reaffirmed)
Short Term Rating	CRISIL D (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL ratings on the bank facilities of Govind Rubber Limited (GRL) reflects instances of delays in servicing term debt obligations by GRL, GRL's weak financial risk profile marked by high gearing and weak debt protection metrics, and susceptibility of GRL's margins to volatility in raw material prices. These rating weaknesses are partially offset by the GRL's established market position coupled with extensive experience of its promoters in the tyre industry.

Key Rating Drivers & Detailed Description

Weakness

* Delays in repayment of term loan obligation owing to weak liquidity

There have been instances of delay by GRL in servicing its term debt owing to weak liquidity. The delays are mainly on account of insufficient cash accrual to meet debt obligations.

* Weak financial risk profile

GRL has a weak financial risk profile because of high gearing and weak debt protection metrics. GRL's gearing was high due to high debt level from large working capital requirement. The company had weak debt protection metrics, with interest coverage and net cash accruals to total debt ratios..

*** Susceptibility of operating margin to volatility in prices of natural rubber:** The cost of rubber comprises more than 40 per cent of GRL's material cost and is the single largest cost element. The prices of natural rubber have been volatile in the past five years. This can be primarily attributed to volatility in the price of synthetic rubber, a substitute for natural rubber. Rubber prices have been declining in the last couple of quarters due to the dip in crude prices. Though the raw material prices are falling, weak demand is expected to impact the company's profitability in the near term.

Strengths

*** Extensive experience of promoter and established relationships with customers and suppliers:** Set up in 1985 in Ludhiana, GRL took over a sick unit, Pavan Tyres, in 1986 and combined its operations with itself in 1991. GRL came out with a public issue in October 1992 to part-finance an export-based project to manufacture nylon colour/gum wall tyres and tubes. GRL's manufacturing facilities in Ludhiana have an installed manufacturing capacity of around 25 million tubes and 25 million tyres. Over the years, the promoters have developed strong relationships with major suppliers and customers. They have also established the company's brand, GRL, across the country. Their extensive experience helps the company understand price trends and calibrate purchasing decisions. They have also developed healthy relations with large players such as TI Cycles, Hero Cycles, Avon, and Milton.

About the Company

GRL, incorporated in 1985, is engaged in manufacturing of tyres and tubes. The company's business operations are overseen by Mr. Vinod Poddar. GRL has its manufacturing facilities located at Ludhiana, Punjab.

GRL reported profit after tax (PAT) of Rs. 0.13 crore on net sales of Rs. 294.97 crore for fiscal 2016 and negative PAT of Rs. 0.37 crore on net sales of Rs. 338 crore for fiscal 2015.

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (INR. Crs)	Rating Assigned with Outlook
NA	Bank Guarantee	NA	NA	NA	3.5	CRISIL D
NA	Bill Discounting	NA	NA	NA	4.29	CRISIL D
NA	Bills - Inland	NA	NA	NA	1.26	CRISIL D
NA	Cash Credit	NA	NA	NA	40.18	CRISIL D
NA	Letter of Credit	NA	NA	NA	28.6	CRISIL D
NA	Packing Credit	NA	NA	NA	3.6	CRISIL D
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	36.65	CRISIL D
NA	Term Loan	NA	NA	Mar-2021	10.92	CRISIL D
NA	Working Capital Demand Loan	NA	NA	NA	21	CRISIL D

Annexure - Rating History for last 3 Years

	Current			2017 (History)		2016		2015		2014		Start of 2014
Instrument	Type	Quantum	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/S T	117.9	CRISIL D/ CRISIL D		No Rating Change		No Rating Change	17-12-15	CRISIL D/ CRISIL D		No Rating Change	CRISIL D/ CRISIL D
								22-01-15	CRISIL B-/Stable/ CRISIL A4			
Non Fund-based Bank Facilities	LT/S T	32.1	CRISIL D		No Rating Change		No Rating Change	17-12-15	CRISIL D		No Rating Change	CRISIL D
								22-01-15	CRISIL A4			

Table reflects instances where rating is changed or freshly assigned. 'No Rating Change' implies that there was no rating change under the release.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	3.5	CRISIL D	Bank Guarantee	3.5	CRISIL D
Bill Discounting	4.29	CRISIL D	Bill Discounting	4.29	CRISIL D
Bills - Inland	1.26	CRISIL D	Bills - Inland	1.26	CRISIL D
Cash Credit	40.18	CRISIL D	Cash Credit	40.18	CRISIL D
Letter of Credit	28.6	CRISIL D	Letter of Credit	28.6	CRISIL D
Packing Credit	3.6	CRISIL D	Packing Credit	3.6	CRISIL D
Proposed Long Term Bank Loan Facility	36.65	CRISIL D	Proposed Long Term Bank Loan Facility	36.65	CRISIL D
Term Loan	10.92	CRISIL D	Term Loan	10.92	CRISIL D
Working Capital Demand Loan	21	CRISIL D	Working Capital Demand Loan	21	CRISIL D
Total	150	--	Total	150	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

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[Rating Criteria for Auto Component Suppliers](#)

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<p>Saman Khan Media Relations CRISIL Limited D: +91 22 3342 3895 B: +91 22 3342 3000 saman.khan@crisil.com</p> <p>Tanuja Abhinandan Media Relations CRISIL Limited D: +91 22 3342 1818 B: +91 22 3342 3000 tanuja.abhinandan@crisil.com</p> <p>Jyoti Parmar Media Relations CRISIL Limited D: +91 22 3342 1835 B: +91 22 3342 3000 jyoti.parmar@crisil.com</p>	<p>Salim Yahoo Director - CRISIL Ratings CRISIL Limited D: +91 22 3342 3031 salim.yahoo@crisil.com</p> <p>Aditya Munshi Associate Director - CRISIL Ratings CRISIL Limited D: +91 22 4097 8105 aditya.munshi@crisil.com</p> <p>Rahim Keshwani Rating Analyst - CRISIL Ratings CRISIL Limited D: +91 22 4097 8304 rahim.keshwani@crisil.com</p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number: 1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com</p> <p>For Analytical queries: ratingsinvestordesk@crisil.com</p>

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