Gloria Engineering Company

Instrument	Amount	Rating Action
Long Term, fund based limits – Cash credit	Rs 8.00 crore	[ICRA]BB+ (Stable) Assigned
Long Term, fund based limits – Term Loan	Rs 1.00 crore	[ICRA]A4+ Assigned
Short Term, non-fund based – LC	Rs 1.00 crore	[ICRA]A4+ Assigned

ICRA has assigned the long term rating of [ICRA]BB+ (pronounced ICRA Double B plus) to the Rs 8.00 crore[1] cash credit facility and Rs 1.00 crore term loan facility of Gloria Engineering Company ("GEC"/ 'The Firm')[2]. ICRA has also assigned the short rating of [ICRA]A4+ (pronounced as ICRA A four plus) to the non-fund based limit of Rs 1.00 crore of GEC. The outlook on long term rating is Stable.

The assigned ratings take into account the firm's established relationships with its key OEM customer, Tata Motors Limited (TML); its healthy share of TML's business for the components manufactured by it; and the long standing experience of the partners in the auto ancillary industry. The ratings also derive comfort from the firm's multiple plants located favourably in close proximity to TML's manufacturing units at industrial areas in Pune, Lucknow and Jamshedpur. The cash flow position of the firm remains comfortable with positive free cash flows in the last three fiscals, despite a capex of ~Rs 16.0 crore, on the back of efficient working capital management marked by low inventory levels and a moderate receivables cycle. ICRA also takes note of the firm's healthy revenue growth in the last two fiscals and its moderate capital structure with a gearing of ~0.8x as on March 31, 2016.

The ratings however are constrained by the firm's modest scale of operations and low value addition given its presence in low complexity sheet metal components. The firm is highly dependent on TML with the OEM contributing ~70% to total sales in FY2016, though the risk is mitigated by its healthy share of business. The revenue growth of the firm is exposed to cyclicality inherent in the auto industry with 95% of revenue derived from sales to auto OEMs in FY2016, with sizeable exposure to CV segment. Further, its margins remain vulnerable to raw material price movements, though the tripartite agreements with key customers and suppliers provide for pass through of costs to a large extent. ICRA notes that ensuring healthy capital utilization going forward remains critical given the capex in recent past for setting up manufacturing units at Lucknow and Jamshedpur. The ratings further incorporate the risks associated with the entity's status as a partnership firm, including the risk of capital withdrawal by the partners, though the same has not been witnessed in the past; and the limited financial flexibility.

ICRA expects healthy revenue growth for the firm in FY2017 on the back of positive demand outlook for the CV industry in the country. The margins are expected to be in line with past years with tripartite agreement in place. The capital structure is expected to remain comfortable with no requirement for additional debt and healthy net worth position, if partner's withdrawals remain in line with past. Going forward, growth in revenues along with sector and customer diversification remains the key rating sensitivities.

Firm Profile

Established in 1982, Gloria Engineering Company (GEC) is a family owned partnership firm based out of Pune, Maharashtra. The firm is engaged in manufacturing of sheet and pressed metal components primarily catering to Tata Motors Limited (TML) for its commercial vehicle (CV) segment.

The firm has its corporate office in Pune and manufacturing units at different industrial areas in close proximity to TML's manufacturing units. The firm has 3 manufacturing plants in Pune, 2 in Lucknow and 1 in Jamshedpur.

June 2016

[1] 100 lakh = 1 crore = 10 million

[2] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

For further details, please contact:
Analyst Contacts:
Mr. Subrata Ray (Tel. No. +91 22 6114 3408)
subrata@icraindia.com

Relationship Contacts:
Mr. Jayanta Chatterjee (Tel. No. +91-80-43326401)
jayantac@icraindia.com

Registered Office
ICRA Limited
1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office
Mr. Vivek Mathur
Mobile: +**91 9871221122**
Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 3rd Floor, Electric Mansion Appasaheb Marathe Marg, Prabhadevi Mumbai—400025, Board : +91-22-61796300; Fax: +91-22-24331390	**Kolkata** **Mr. Jayanta Roy** Mobile: **+91 9903394664** Email: jayanta@icraindia.com A-10 & 11, 3rd Floor, FMC Fortuna 234/3A, A.J.C. Bose Road Kolkata—700020 Tel +91-33-22876617/8839 22800008/22831411, Fax +91-33-22870728
Chennai **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 5th Floor, Karumuttu Centre 634 Anna Salai, Nandanam Chennai—600035 Tel: +91-44-45964300; Fax: +91-44 24343663	**Bangalore** **Bangalore** **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 'The Millenia' Tower B, Unit No. 1004,10th Floor, Level 2 12-14, 1 & 2, Murphy Road, Bangalore 560 008 Tel: +91-80-43326400; Fax: +91-80-43326409
Ahmedabad **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 907 & 908 Sakar -II, Ellisbridge, Ahmedabad- 380006 Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-79-25569231	**Pune** **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range Hills Road, Shivajinagar,Pune-411 020 Tel: + 91-20-25561194-25560196; Fax: +91-20- 25561231
Hyderabad **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj Bhavan Road, Hyderabad—500083 Tel:- +91-40-40676500	