

GH Induction India Private Limited

Instrument	Amount	Rating Action
	In Rs Crore	December 2015
Long-term, Term Loans	2.76 (revised from 4.76)	[ICRA]BBB (Stable) Re-affirmed
Long-term, Fund Based	3.00	[ICRA]BBB (Stable) Re-affirmed
Short-term, Non-fund Based	8.00 (enhanced from 6.00)	[ICRA]A2 Re-affirmed

ICRA has re-affirmed the long-term rating assigned to the Rs. 2.76 crore[^] term loans (revised from Rs. 4.76 crore), and to the Rs. 3.00 crore fund-based facilities of GH Induction India Private Limited ("GHI"/"the company") at [ICRA]BBB (pronounced ICRA triple B)[†] with a stable outlook. ICRA has also re-affirmed the short-term rating of [ICRA]A2 (pronounced ICRA A2) for the Rs. 8.00 crore (enhanced from Rs. 6.00 crore) short-term non-fund based facilities of GHI.

The ratings favourably consider the experience of the management with over 25 years of track record in induction hardening systems; the operational linkages with GH group – one of the leading global players in the sector – which also holds 51% stake in GHI; and the significant entry barriers to the industry in the form of technology and tacit knowledge which protects margins to an extent. The ratings also factor in the favourable demand prospects of induction hardening equipment over the medium to long term; and GHI's financial risk profile, characterised by low gearing and debt protection metrics, while declining over the last two fiscals, remains adequate.

The ratings are, however, constrained by the moderate scale of GHI's operations; the high sectoral concentration of sales to the automotive industry; and the vulnerability of GHI's revenues to demand cyclicity in end-user markets, as evidenced by continued sluggishness in the automotive sector impacting GHI's revenues over the last two fiscals. With sizeable fixed overheads, this revenue de-growth has also led to a decline in GHI's profitability. ICRA takes note of the expected growth in export sales going forward, which may expose the company's margins to forex risks. ICRA also takes note of GHI's efforts to diversify its end user segments, though the translation of the efforts into actual improvement remains to be seen and will be monitored.

Company Profile

GH Induction India Private Limited is an Indo-Spanish joint venture between the GH Electrotermia SA (Spain) and Mr. Chari and family in India, with the former holding 51% stake in the company. Incorporated in 1998, GHI is engaged in the manufacture and servicing of induction hardening and induction welding equipment which finds use in a variety of industries such as Automobile, Shipping, Railways, and Aerospace, among others. GHI owns an ISO 9001:2008 certified manufacturing facility at Thirumudivakkam, Chennai, where customised machines are designed, manufactured and tested according to client specifications. GHI's clientele include reputed companies such as Bhabha Atomic Research Centre, Greaves Cotton Limited, Musashi Auto Parts Limited, Honda Motorcycle & Scooter India Private Limited, Bharat Forge Limited, ARGL Limited and TVS Motor Company Limited, among many others.

For FY 2014–15, GHI reported a PAT of Rs. 0.63 crore on an operating income of Rs. 25.23 crore as against a PAT of Rs. 2.63 crore on an operating income of Rs. 29.51 crore FY 2013–14,.

December 2015

[^] 100 lakh = 1 crore = 10 million

[†] For a complete rating scale and definitions, please refer to ICRA's website (www.icra.in) or other ICRA rating publications.



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