

## Grauer & Weil (India) Limited

March 31, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	85.00	CARE AA- (RWD)	Placed on Rating Watch with Developing Implications
Short-term bank facilities	60.00	CARE A1+ (RWD)	Placed on Rating Watch with Developing Implications

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has placed its ratings assigned to the bank facilities of Grauer & Weil (India) Limited (GWIL) on rating watch with developing implications. The rating action follows the company's stock exchange filing on March 21, 2025, wherein the H'ble Bombay High Court upheld the Maharashtra Pollution Control Board's (MPCB) directions of closure of GWIL's Mall at Kandivali, Mumbai. Pursuant to the ruling of the High Court, GWIL has closed its mall operations from March 21, 2025, and simultaneously filed a petition before the H'ble Supreme Court of India against the above-said High Court ruling.

While the company is yet to ascertain the amount of losses due to closure of its mall operations (including the amount of damages to mall tenants, if any), it carries sizeable liquidity. CARE Ratings will continue to closely monitor the further developments in this regard and shall take a view on the ratings once the impact of the same on the credit profile of GWIL is clear.

The ratings continue to derive strength from GWIL's leadership position in the domestic electroplating chemical industry, where it has ~35% market share along with the long-standing experience of its promoters in this business. The ratings also draw comfort from its moderately diversified earnings profile, established clientele, and growth in its scale of operations. The ratings continue to derive strength from its strong financial risk profile marked by healthy profitability, low leverage, strong debt coverage indicators, and strong liquidity.

However, rating strengths are tempered by GWIL's relatively moderate scale of operations with a large part of income being contributed by the surface finishing segment and from single end-user industry viz., automobiles (~30%-40% to its TOI). The ratings also continue to remain constrained by the susceptibility of its profitability margin to raw materials price fluctuations and its moderate capex plans in the near term.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Sustained improvement in profit before interest, lease rentals, depreciation and taxation (PBILDT) margin in the range of 18-20%.
- Further diversification of its revenue profile (both in terms of product and geography) with key product segment contributing not more than 30%-45% to its total operating income (TOI).

#### Negative factors

- PBILDT margin declining below 15% on a sustained basis.
- Any debt-funded capex/acquisition resulting in total debt/PBILDT above 2x on a sustained basis.
- Substantial reduction in liquidity position (un-encumbered cash and investment in FD) below ₹100 crore.

### Analytical approach: Consolidated

CARE Ratings Limited (CARE Ratings) has considered the consolidated financials for arriving at the ratings of GWIL, as all its subsidiaries and associates are in the similar line of business. The list of companies considered is shown in **Annexure-6**.

### Detailed description of the key rating drivers

#### Key strengths

##### Well-established position in the domestic electroplating chemical industry

With a track record of over six and half decades in the electroplating business, GWIL continues to have a leadership position in the domestic electroplating chemicals industry with ~35% market share. GWIL is promoted by the More family, with Umeshkumar

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

More currently serving as the Chairman, being associated with the company since July 1969. His rich experience of over five decades helps the company in strategic planning and expansion of the business. He is assisted by his son, Nirajkumar More, Managing Director, a Bachelor of Business Administration from UK. Besides, the company has a team of well-qualified professionals for heading functional departments.

### **Moderately diversified revenue profile**

The company's revenue profile is moderately diversified owing to its operations under different business divisions: surface finishing (of which electroplating chemicals, paints, oil and lubricants are sub-divisions) with surface finishing segment contributing to 82% revenue, electrical engineering segment contributing 15% and shoppertainment contributing 3% of the company's overall revenue in FY24. Furthermore, the electroplating chemicals division has a wide basket of products, and the chemicals manufactured by the company find application in industries such as automobiles, home fittings, consumer durables, gems and jewellery, among others. The product profile in paints include high-performance industrial coatings, pipeline coatings, marine coatings, anti-fouling coatings, besides aerospace and defence coatings. The engineering division is involved in manufacturing and providing turnkey solutions for electroplating plants, effluent treatment plants, and other engineering products.

The company also operates a shopping mall spanning 475,000 square feet in Kandivali (Mumbai suburbs), with a leasable area of 242,235 square feet as on September 30, 2024. Its diversified revenue profile has helped mitigate dependency on a single business segment and navigate industry downturns. However, the automobile sector remains the major end-user industry for GWIL, contributing ~30%-40% of its total operating income (TOI), highlighting a significant reliance on a single industry. Additionally, the Growel Group has established a branch office in Dubai to capitalise on business opportunities and drive growth in the MENA region.

However, the temporary closure of the mall is expected to impact the company's total operating income and PBIT margins, as the Shoppertainment segment contributed 3% to total revenue and 9% to overall PBIT in 9MFY25. The company has already applied for the necessary clearance, and CARE Ratings will continue to closely monitor the situation, including any potential claims or penalties, as a key factor for rating watch going forward.

### **Stable operational performance with improved operating profitability**

On a consolidated basis, GWIL's TOI increased by ~9% on year-over-year (y-o-y) basis to ₹1070.41 crore in FY24, led by growth in engineering segment and surface finishing segment while shoppertainment segment de-grew by 2%. Also, the company's operating margin improved by 180 bps in FY24 to 18.00% supported by improved profitability of mall with increased footfalls. Although contribution of the mall segment in the total revenue stood low (~3%), it contributes heavily to GWIL's profitability, as PBILDT margin from this segment stood at over 73% in FY24. Any competition in the catchment area might impact the mall segment's performance.

Surface finishing continues to be the highest contributing segment to the revenue and profitability with revenue of ~₹877 crore (~82% of the total revenue), whereby growth of this segment is led mainly by increased demand from automotive segment in the domestic market. Engineering division's performance also improved over the years led by improved order execution, where its revenue has over doubled in the last four years to ~₹156 crore in FY24.

Furthermore, the company's total operating income increased by 9.15% year-over-year, reaching ₹827.71 crore in 9MFY25, while PBILDT rose by 11.09% to ₹192.98 crore compared to the previous year. Going forward, CARE Ratings expects the entity's financial performance to remain healthy with steady performance in business divisions in the near term.

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

GWIL continues to maintain comfortable capital structure with robust cash accruals to finance its operational and capex requirements largely through internal accruals, leading to low overall gearing of 0.03x as on March 31, 2024. GWIL continued to have no long-term debt except unsecured loans from the promoters and lease liabilities. Moreover, with no major debt-funded planned capex, the company's overall gearing is expected to remain at a comfortable level. Considering minimal debt and strong accruals, its debt coverage indicators also stood highly comfortable, marked by total debt to gross cash accruals (TD/GCA) of 0.16x and interest coverage of 40.39x in FY24.

### **Liquidity: Strong**

GWIL's liquidity indicators continue to remain strong marked by unencumbered liquid investment in fixed deposits, mutual funds and cash of ~₹459 crore as on September 30, 2024 (₹487 crore as on March 31, 2024), and largely unutilised cash credit limit of ₹100 crore. Furthermore, the company is expected to generate healthy cash accruals, which is over sufficient to meet its current capex requirement.

With a gearing of 0.03x as on March 31, 2024, the issuer has sufficient gearing headroom to raise additional debt for its capex. Its current ratio continues to remain comfortable at 3.17x, with operating cycle at 69 days in FY24. Its largely unutilised bank lines are over adequate to meet its incremental working capital needs over the next year.

## Key weaknesses

### Moderate scale, profitability susceptible to volatility in raw material prices and forex risk

GWIL's total operating income (TOI) saw a significant increase, rising by 28% in FY23 to ₹985.51 crore and further by 9% in FY24 to ₹1,070 crore. Despite this growth, the company's scale of operations remains moderate. In the chemical segment, GWIL deals with volatile raw materials, including metals used in powder form for plating and coating, and crude oil derivatives for industrial paints. While the company has been largely able to pass on raw material price increases in the electroplating segment due to its market leadership, the industrial paints segment faces margin pressure due to price volatility and low pricing power. Additionally, GWIL's operations involve importing raw materials and exporting products, primarily in Yen, USD, and Euro. In FY24, imports amounted to ₹95.68 crore, while exports were ₹57.55 crore. The company has a policy of hedging majority imports; however, the receivables are normally kept open, and hence, are exposed to foreign exchange fluctuations.

### Moderate capex plans

GWIL has planned a total capex of ~₹300 crore in the next three years period ending FY27, whereby major capex requirements are towards expansion of its capacity for paints, setting up a research and development (R&D) centre, and expanding capacity of its electroplating chemicals with some minor capex at each of its manufacturing facilities. Also, its earlier envisaged capex for mall expansion has been put on hold in the medium term. This capex programme is proposed to be largely funded from internal accruals and from its available liquidity with very low reliance on term debt. Realisation of the envisaged returns from the capex will be critical to maintain its comfortable return on capital employed (ROCE).

## Environment, social, and governance (ESG) risk assessment

Risk factors	Compliance and action by the company
<b>Environmental</b>	<ul style="list-style-type: none"> <li>The company has implemented a comprehensive environmental management system and uses low carbon technologies and practices</li> <li>To monitor the air pollution, the company has installed emission monitoring systems to accurately measure, and track pollutants emitted from its operations.</li> </ul>
<b>Social</b>	<ul style="list-style-type: none"> <li>In FY24, GWIL incurred ₹2.34 crore expense on CSR activities which is aligned with required CSR expenditure per Companies Act.</li> <li>in FY24, there were no complaints relating to child labour, forced labour, involuntary labour, sexual harassment of women at workplace.</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>Out of total strength of eight directors on its board, four are independent directors.</li> <li>Policy on related party transactions, after carrying out the necessary modifications in line with the amendments in Companies Act from time to time, is placed on the website of the company.</li> <li>In FY24, there were no whistle blower complaints received from the employees and directors by the company and company received three complaints from shareholders and no complaint pending to be resolved at the end of FY24.</li> </ul>

## Applicable criteria

[Consolidation](#)

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Chemicals	Chemicals and petrochemicals	Commodity chemicals

GWIL was initially set up as a partnership concern in May 1940 by British nationals Grauer and Weil. It has a well-established track record, operating for over six decades in the electroplating business. In 1969, the More family, promoters of the Growel

group, took over the company along with the Goenka family. Later, in 1991, the More and Goenka families had split, and GWIL was retained by the More family.

GWIL operates in three broad business segments – surface finishing, engineering, and shopping mall. The surface finishing segment comprise of chemicals division, paints division, and oil division. Under the chemical division, it manufactures and sells chemicals required for metal finishing (electroplating chemicals), their intermediates, and other specialty chemicals. Under the paints division, it manufactures mainly industrial paints and under the oil division, it manufactures oils and lubricants. The engineering segment is involved in manufacturing and providing turnkey solutions for electroplating plants, effluent treatment plants, and other engineering products. GWIL also owns a shopping-cum-entertainment mall at Kandivali East (Growels 101), in Mumbai.

<b>Brief Financials-Consolidated (₹ crore)</b>	<b>FY23 (A)</b>	<b>FY24(A)</b>	<b>9MFY25 (UA)</b>
Total operating income	985.51	1070.41	794.68
PBILDT	159.70	192.63	160.16
PAT	112.95	146.28	131.44
Overall gearing (times)	0.04	0.03	NA
PBILDT Interest coverage (times)	63.11	40.39	137.88

A: Audited UA: Unaudited NA: Not available; Financials are reclassified as per CARE Ratings' standards

Note: these are latest available financial results

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

**Any other information:** Not applicable

**Rating history of last three years:** Annexure-2

**Detailed explanation of covenants of rated facility:** Annexure-3

**Complexity level of the various instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### **Annexure-1: Details of instruments/facilities**

<b>Name of the Instrument</b>	<b>ISIN</b>	<b>Date of Issuance (DD-MM-YYYY)</b>	<b>Coupon Rate (%)</b>	<b>Maturity Date (DD-MM-YYYY)</b>	<b>Size of the Issue (₹ crore)</b>	<b>Rating Assigned and Rating Outlook</b>
Fund-based - LT-Cash Credit		-	-	-	85.00	CARE AA- (RWD)
Non-fund-based - ST-BG/LC		-	-	-	60.00	CARE A1+ (RWD)

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	85.00	CARE AA- (RWD)	1)CARE AA-; Stable (05-Dec-24)	1)CARE AA-; Stable (21-Dec-23)	1)CARE AA-; Stable (31-Oct-22)	1)CARE AA-; Stable (05-Nov-21)
2	Non-fund-based - ST-BG/LC	ST	60.00	CARE A1+ (RWD)	1)CARE A1+ (05-Dec-24)	1)CARE A1+ (21-Dec-23)	1)CARE A1+ (31-Oct-22)	1)CARE A1+ (05-Nov-21)
3	Fixed Deposit	LT	-	-	-	1)Withdrawn (21-Dec-23)	1)CARE AA-; Stable (31-Oct-22)	1)CARE AA- (FD); Stable (05-Nov-21)

LT: Long term; ST: Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-BG/LC	Simple

**Annexure-5: Lender details**To view the lender wise details of bank facilities please [click here](#)**Annexure-6: List of entities consolidated**

Sr. No.	Name of the entity	Extent of consolidation	Rationale for Consolidation
1.	Grauer & Weil (Shanghai) Limited	Full	Subsidiaries with strong linkages
2.	Growel Chemicals Co. Limited	Full	
3.	Kamtress Automation Systems Pvt Ltd.	Full	

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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### About us:

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