

Press Release

Gujarat Pickers Industries Limited (GPIL)

01 February, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.58.50 Cr
Long Term Rating	SMERA BB-/Stable (Assigned)
Short Term Rating	SMERA A4+ (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.58.50 crore bank facilities of Gujarat Pickers Industries Limited (GPIL). The outlook is '**Stable**'.

GPIL (the erstwhile Gujarat Pickers Industries), established in 1962, is engaged in the distribution of chemicals and polymer products. In 2010, the company was appointed as consignment stockist and Del credere agent of IOCL for PE/PP (polymer) products. The company also trades in the same.

List of key rating drivers and their detailed description

Strengths:

Experienced management: The company was promoted by the Makwana brothers, who possess experience of over three decades in the distribution of polymers and chemicals.

Established association with Indian Oil Corporation Limited (IOCL): GPIL is a distributor for IOCL chemicals since 2003. The company is also a consignee stockist (CS) and Del Credere Agent (DCA) for sale of polymer products since 2010.

Weaknesses:

High counterparty credit risk leading to high working capital requirements: The company being a DCA/CS for IOCL is exposed to high counterparty credit risk as the risk (receivables) is transferred from IOCL to GPIL resulting in high working capital requirements. This ultimately influences the net profit margin (0.91 per cent in FY2016) and financial risk profile of the company.

Below average financial risk profile: GPIL has below average financial risk profile with relatively low net worth of Rs.10.36 crore as on 31 March, 2016. The total outside liability to tangible net worth ratio is high at 4.49 times as on 31 March, 2016. The interest coverage ratio stood low at 1.31 times in FY2016.

Analytical approach: SMERA has considered the standalone financial and business risk profiles of the company to arrive at the ratings.

Applicable Criteria

- Trading Entities : <https://www.smera.in/criteria-trading.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that the outlook of GPIL will remain stable over the medium term on account of its established track record in the polymer and chemical industry. The outlook may be revised to 'Positive' if the company is able to increase its scale of operations and profitability while maintaining efficient working capital. On the contrary, the outlook may be revised to 'Negative' in case of decline in profitability, deterioration of capital structure or extended working capital requirements.

About the Rated Entity

GPIL was initially engaged in the manufacture of pickers and other accessories used in the textile industry. Around 1978, the company started distributorship of polymers of Indian Petrochemicals Corporation Limited (IPCL). However, after IPCL was taken over by Reliance in 2002, GPIL discontinued the distributorship and began trading in chemicals and other products.

During 2003, GPIL started operating as a distributor of Indian Oil Corporation Limited (IOCL) for chemicals such as sulphur, benzene, aromax, toluene among others. In 2010 the company was appointed as consignment stockist and Del credere agent of IOCL for their PE/PP (polymer) products. The company also trades in polymer products imported from United States, Belgium, Qatar, Dubai and Saudi Arabia. GPIL also has a warehouse in Changodhar (Ahmedabad) for stocking goods.

For FY2015-16, GPIL reported profit after tax (PAT) of Rs.0.69 crore on operating income of Rs.75.92 crore, as compared to PAT of Rs.0.79 crore on operating income of Rs.50.52 crore in FY2014-15. The net worth stood at Rs.10.81 crore as on March 31, 2016 against Rs.9.82 crore a year earlier.

Status of non-cooperation with previous CRA: CARE Ratings in its press release dated 09 December, 2015 suspended the rating of Gujarat Pickers Industries Limited stating 'The rating has been suspended as the firm has not furnished the information required by CARE for monitoring of the rating.'

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit**	LT	8.50	SMERA BB-/Stable (Assigned)	-	-	-	-	-	-
Cash Credit under eDFS	LT	41.50	SMERA BB-/Stable (Assigned)	-	-	-	-	-	-
Bank Guarantee under eDFS	ST	8.50	SMERA A4+ (Assigned)	-	-	-	-	-	-

**Sublimit DAUE of Rs.2.00 crore

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit**	N.A	N.A	N.A	8.50	SMERA BB-/Stable (Assigned)
Cash Credit under eDFS	N.A	N.A	NA	41.50	SMERA BB-/Stable (Assigned)
Bank Guarantee under eDFS	N.A	N.A	NA	8.50	SMERA A4+ (Assigned)

**Sublimit DAUE of Rs.2.00 crore

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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