

Press Release

March 05, 2018

Gujarat Pickers Industries Limited (GPIL)

Rating Reaffirmed



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

**Refer annexure for details*

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

Gujarat Pickers Industries Limited (GPIL) was established in 1962 as Gujarat Pickers Industries (GPI), as a partnership firm with Mr. Rathu Makwana and his brothers as partners. The firm was later converted into a limited company in the year 2001. The company was initially engaged in manufacturing of various types of Pickers and other accessories (used in textile industry). During the year 2003 GPIL started operating as a distributor of Indian Oil Corporation Limited (IOCL) for chemicals mainly Sulphur and others like Toluene, Benzene, MTO, Aromax, etc. The company is engaged in the distribution of these chemical and polymer products (PP/PE) in Ahmedabad, Mehsana, Kadi and surrounding areas. GPIL also has a warehouse in Changodhar (Ahmedabad) for stocking goods. The company imports polymers from US, Belgium, Qatar, Dubai and Saudi Arabia to an extent of 80 per cent and sells in the domestic market.

Key rating drivers

Strengths

•Long track record of operations in polymer & chemical distribution

The company was established in 1962; however it started distributorship of IOCL polymer products from 1978 and later continued to serve in similar business, thus reflecting long presence in polymer & chemical distribution.

•Established association with Indian Oil Corporation Limited (IOCL)

The company started its association with Indian Oil Corporation Limited since 2003 by undertaking its chemical distributorship and then extended by engaging as a consignment stockist and Del Credere Agent for sale of polymer products.

•Favourable demand outlook for polymers

With third largest consumer of polymers in world, India expected to grow by 7-8% yearly with healthy growth in industries such as clothing, automobiles, polymer-based reinforcing material

in construction as well as plastics, paints and coatings for the automotive sector. These factors will positively impact both the company's revenue in present and upcoming FYs.

Weaknesses

•Below average financial risk profile

The company has below average financial risk profile marked by high TOL to TNW ratio of around 2.93 times mainly on account of high working capital utilisation and low networth of Rs.11.44 crore as on March 31, 2017.

Although when the financials are adjusted according to the business consignment sales, the TOL to TNW ratio stands at 0.87 times Further the interest coverage ratio stands low at 1.31 times on account of low operating margins due to trading nature of business which also increases to 1.38 times due to the adjustments.

•High working capital requirements

As the company is a consignment stockiest/del credere agent it is exposed to the inherent counterparty credit risk as the receivables of IOCL is transferred to GPIL. Thus resulting in high working capital requirements. However the average working capital limit utilisation stands moderate at around 75 per cent during April to December, 2017 as confirmed by the banker. High competitive intensity in the domestic polymer trading market with presence of other distributors and traders

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of GPIL

Outlook – Stable

SMERA believes that the outlook of the GPIL will remain stable over the medium term on account of established track record in polymer & chemical distributor industry. Outlook may be revised to positive if company is able to increase 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 or deterioration of capital structure or extended working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	75.73	75.92	50.52
EBITDA	Rs. Cr.	5.54	5.94	5.86
PAT	Rs. Cr.	0.94	0.69	0.79
EBITDA Margin	(%)	7.31	7.82	11.59
PAT Margin	(%)	1.24	0.91	1.56
ROCE	(%)	11.27	10.99	10.42
Total Debt/Tangible Net Worth	Times	2.78	4.04	4.26
PBDIT/Interest	Times	1.38	1.31	1.34
Total Debt/PBDIT	Times	5.53	7.08	7.04
Gross Current Assets (Days)	Days	213	265	371

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Trading entities-<https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Status of non-cooperation with previous CRA (if applicable):

None

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
07-Dec-2016	Cash Credit	Long Term	8.50	SMERA BB- / Stable (Assigned)
	Cash Credit	Long Term	41.50	SMERA BB- / Stable (Assigned)
	Bank Guarantee	Short Term	8.50	SMERA A4+ (Assigned)

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	Not Applicable	Not Applicable	Not Applicable	8.50	SMERA BB- / Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	41.50	SMERA BB- / Stable (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	8.50	SMERA A4+ (Reaffirmed)

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ABOUT SMERA

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