

June 26, 2015

Facilities	Amount (Rs. Crore)	Ratings
Packing Credit	10.00*	SMERA A3 (Assigned)
Bills Discounting	20.00*	SMERA A3 (Assigned)
Term Loan	0.43	SMERA BBB-/Stable (Assigned)
Letter of Guarantee	0.05	SMERA A3 (Assigned)

* Interchangeability of Rs. 1.00 crore from bills discounting to packing credit and vice versa

SMERA has assigned a rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) to the Rs.0.43 crore long term bank facility and '**SMERA A3**' (read as **SMERA A three**) to the Rs.30.05 crore short term bank facility of Supreme Gums Private Limited (SGPL). The ratings are supported by the company's experienced management, moderate scale of operations, above-average financial risk profile and sound liquidity position. However, the ratings are constrained by industry concentration risk and the highly competitive and fragmented guar gum industry that the company operates in. The ratings are also constrained by the company's exposure to agro-climatic risk and raw material price volatility.

SGPL, incorporated in 2002, is a Rajasthan-based company engaged in the manufacturing of guar gum powder and trading of guar splits. The company is promoted by Mr. Naresh Jain, who has around 25 years of experience in the industry. SGPL has moderate scale of operations with revenue of Rs.303.78 crore (provisional) in FY2014-15 as compared to Rs.439.83 crore in FY2013-14. SGPL's gearing (debt-to-equity ratio) is low at 0.89 times as on March 31, 2014. The company has healthy coverage indicators, as reflected in the interest coverage ratio of 18.74 times in FY2013-14. SGPL has sound liquidity position with net cash accruals to total debt (NCA/TD) of 0.44 times as on March 31, 2014.

SGPL mainly caters to oil drilling units in USA and UK. The company is exposed to agro-climatic risk and is susceptible to volatility in prices, fluctuating forex rates and availability of guar seeds.

Outlook: Stable

SMERA believes that the company will continue to benefit over the medium term from its promoters experience. The outlook may be revised to 'Positive' with sustained improvement in the company's profitability margins, while maintaining its revenue growth due to increase in sales realizations. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in the company's profitability margins due to volatility in raw material prices.

About the Company

SGPL, incorporated in 2002, is a Rajasthan-based company promoted by Mr. Naresh Kumar Jain, Pradeep Jain, Jyotsana Jain and Tarun Jain. The company is engaged in the manufacture of guar gum powder and trading of guar splits. SGPL caters largely to the export market and sells its products under the 'SUPREME' brand name.

For FY2013-14, SGPL reported profit after tax (PAT) of Rs.9.98 crore on operating income of Rs.439.83 crore, as compared with PAT of Rs.9.71 crore on operating income of Rs.455.91 crore for FY2012-13. For FY2014-15, SGPL reported operating income of Rs.303.78 crore (provisional). The company's net worth stood at Rs.30.41 crore as on March 31, 2014, as compared with Rs.20.43 crore a year earlier.

Contact List:

Media/Business Development	Analytical Contacts	Rating Desk
Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 9820802479 Email: antony.jose@smera.in Web: www.smera.in	Pooja Ghosh Associate Vice President – Corporate Ratings Cell: +91 9831527895 Email: pooja.ghosh@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in