Supreme Gums Private Limited: Reaffirmed

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

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

SMERA has reaffirmed the rating of **'SMERA BBB-' (read as SMERA triple B minus)** and **'SMERA A3' (read as SMERA A three)** on the abovementioned bank facilities of Supreme Gums Private Limited (SGPL). The outlook is **'Stable'**.

The reaffirmation is in view of continued comfortable financial risk profile experienced management. Further, the ratings are constrained by industry concentration risk and the highly competitive and fragmented guar gum industry that the company operates in. The ratings also note the company's exposure to agro-climatic risk and raw material price volatility.

Update

The financial risk profile has remained comfortable with gearing (debt-equity) of 0.01 times as on March 31, 2016 as against gearing of 0.61 times as on March 31, 2015. The interest coverage ratio (ICR) stood healthy at 21.84 times for FY2016. SGPL has reported accruals of Rs.5.48 crore for FY 2016 as against Rs.3.68 crore for FY2015.

The working capital cycle remained comfortable with Gross current asset (GCA) days of 80 days for FY2016 and 55 days for FY2014.

SGPL's revenues declined from Rs.439.83 crore in FY2013–14 (refers to financial year, April 01 to March 31) to Rs.305.77 crore in FY2014–15. Further, the company has registered revenues of Rs.91.75 crore in FY2015-16. This noteworthy decline in revenues is on account of the substantial fall in guar gum prices due to reduced demand from oil and gas producers. Further, the company has reported revenues of Rs. 43.89 crore for the period April, 2016 to September, 2016 (Provisional).

Although, the revenues have been fluctuating due to industry phenomenon, the operating profit margin has increased to 5.95 per cent in FY2015–16 from 2.32 per cent in FY2014–15.

Rating Sensitivity Factors

- Scaling up operations while maintaining profitability
- Changes in the financial risk profile
- Efficient working capital management

Outlook-Stable

SMERA believes that the company will maintain a stable outlook and 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 achieving revenue growth due to increase in sales realisations. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in profitability margins due to volatility in raw material prices.

Criteria applied to arrive at the rating:

- Manufacturing Entities

About the Company

SGPL, incorporated in 2002, is a Rajasthan-based company promoted by Mr. Naresh Kumar Jain, Mr. Pradeep Jain, Ms. Jyotsana Jain and Mr.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 FY2015–16, SGPL reported profit after tax (PAT) of Rs.3.37 crore on operating income of Rs.91.75 crore, as compared with PAT of Rs.1.66 crore on operating income of Rs.305.77 crore for FY2014–15. The company's net worth stood at Rs.35.42 crore as on March 31, 2016, as compared with Rs.32.05 crore a year earlier.

Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings	Rating Outlook
			Long Term	
26 Jun, 2015	Packing Credit*	10.00	SMERA A3 (Assigned)	
	Bills Discounting*	20.00	SMERA A3 (Assigned)	
	Term Loan	0.43	SMERA BBB- (Assigned)	Stable
	Letter of Guarantee	0.05	SMERA A3 (Assigned)	

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

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ABOUT SMERA

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