



Press Release
Supreme Gums Private Limited
May 31, 2024
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	35.90	ACUITE BBB Stable Upgraded Positive to Stable	-
Bank Loan Ratings	24.10	-	ACUITE A3+ Upgraded
Total Outstanding Quantum (Rs. Cr)	60.00	-	-

Rating Rationale

Acuite has upgraded the long-term ratings to '**ACUITE BBB**' (read as **ACUITE Triple B**) from **ACUITE BBB-** (read as **ACUITE Triple B minus**) and short-term rating to '**ACUITE A3+**' (read as **ACUITE A three plus**) from '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.60.00 crore bank facilities of Supreme Gums Private Limited (SGPL). The outlook has been revised from '**Positive**' to '**Stable**'.

Rationale for Upgradation/Revision in the Outlook

Rating has been upgraded and outlook has been revised on account of higher than expected growth recorded in FY 22-23 as compared to FY21 & FY22. There has been constant improvement in operating performance in line with the margins, improved financial risk profile with healthy tangible net worth and strong liquidity position of the entity.

About the Company

Supreme Gums Private Limited (SGPL) based in Rajasthan was incorporated in the year 2002. The company is promoted by Mr. Naresh Kumar Jain. The company is engaged in the manufacturing 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.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of SGPL to arrive at the rating

Key Rating Drivers

Strengths

Established track record of operations and experienced management

The company was incorporated in the year 2002 and has established presence of over a decade in the said line of business. The company also has an established market for its own brand 'SUPREME' in international market like USA, Russia, Latin America and Europe as well as in domestic market. The company is largely in export of its products which contributes to 98 percent of its total revenue in FY 2022. The promoter Mr. Naresh Kumar Jain has almost two decades of experience in the guar gum industry. The company's operations are also supported by second generation entrepreneur, Mr. Tarun Jain and second line of management. Further, the company's manufacturing facilities are located in Rajasthan which provides proximity to raw material thereby reducing logistic cost. Acuité believes that the company will continue to benefit from the promoter's experience, its established presence in the industry and close proximity to raw material improving its business risk profile over the medium term.

Healthy financial risk profile

The financial risk profile of the company stood healthy marked by improving net worth, low gearing and strong debt protection metrics. The tangible net worth stood at Rs. 95.05 Cr. as on 31st March 2023 against Rs. 62.25 Cr. in FY 2022. The company follows conservative leverage policy. Debt to Equity ratio improved by 40 bps and stood at 0.43 times in FY 23 as against 0.83 times in FY 22. Improvement is on account of profits accretions and no major capital expenditure done. The total outside liabilities to total net worth (TOL/TNW) stood at 0.63 times as on FY 23 against 0.98 times as on FY 22. the debt protection matrix (i.e. DSCR & ISCR) stood at 9.52 & 12.40 times in FY 23 against 6.39 & 8.46 times in FY 22 respectively.

Weaknesses

Volatility in raw material prices and foreign currency fluctuation risk

The major raw material for manufacturing guar gum powder is guar seed, which is an agro commodity. Its availability is highly dependent on monsoons; guar seed supply can vary which may lead to fluctuations in prices. However, the risk is mitigated to a certain extent as SGPL enters into contracts with customers after the harvest usually in the month of October to January. The company majorly exports its products to USA, Europe, Latin America etc. which contributes 98 percent of the revenue. The margins are partially impacted by foreign currency fluctuation.

Rating Sensitivities

- Improving scale of operations while maintaining profitability.
- Improvement in working capital operations

Liquidity Position

Strong

The company has strong liquidity marked by net cash accruals to its maturing debt obligations, current ratio, cash and bank balance. The company generated the net cash accruals of Rs. 33.76 Cr. for FY 23 as against the debt repayment obligations of Rs. 0.02 Cr. The current ratio of the company stood at 2.32 times as on 31 March 2023 as against 1.78 times in the previous year. Cash and Bank Balances of company stood at Rs. 13.99 crore. The liquidity of the company is expected to improve as company is expecting to generate net cash accruals of Rs. 20–25 Cr. in next medium term indicating availability of funds for any future endeavours. The average fund based utilization for last 15 months is 36.06%.

Outlook - Stable

Acuité believes that SGPL will maintain a 'Stable' outlook and benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' if the company reports higher than expected revenues and profitability margins. Conversely, the outlook may be revised to 'Negative' in case of decline in the revenue from operations & margins of the company putting pressure on liquidity and leverage position.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	334.22	196.26
PAT	Rs. Cr.	32.82	9.87
PAT Margin	(%)	9.82	5.03
Total Debt/Tangible Net Worth	Times	0.43	0.83
PBDIT/Interest	Times	12.40	8.46

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

Not Applicable

Any other information

None.

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Mar 2023	Bills Discounting	Short Term	17.50	ACUITE A3 (Reaffirmed)
	Bills Discounting	Short Term	6.60	ACUITE A3 (Assigned)
	PC/PCFC	Long Term	17.50	ACUITE BBB- Positive (Reaffirmed)
	PC/PCFC	Long Term	6.60	ACUITE BBB- Positive (Assigned)
	Proposed Term Loan	Long Term	1.80	ACUITE BBB- Positive (Assigned)
	Working Capital Term Loan	Long Term	10.00	ACUITE BBB- Positive (Assigned)
19 Aug 2022	Bills Discounting	Short Term	17.50	ACUITE A3 (Reaffirmed)
	PC/PCFC	Long Term	17.50	ACUITE BBB- Stable (Reaffirmed)
23 Jun 2022	Bills Discounting	Short Term	17.50	ACUITE A3 (Reaffirmed)
	PC/PCFC	Short Term	17.50	ACUITE A3 (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	0.05	ACUITE A3 (Reaffirmed & Withdrawn)
26 Mar 2021	Bills Discounting	Short Term	17.50	ACUITE A3 (Reaffirmed)
	PC/PCFC	Short Term	17.50	ACUITE A3 (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	0.05	ACUITE A3 (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	17.50	ACUITE A3+ Upgraded (from ACUITE A3)
Union Bank of India	Not avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.60	ACUITE A3+ Upgraded (from ACUITE A3)
Union Bank of India	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.60	ACUITE BBB Stable Upgraded Positive to Stable (from ACUITE BBB-)
Union Bank of India	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	17.50	ACUITE BBB Stable Upgraded Positive to Stable (from ACUITE BBB-)
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	18 Dec 2028	Simple	1.80	ACUITE BBB Stable Upgraded Positive to Stable (from ACUITE BBB-)
Union Bank of India	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2027	Simple	10.00	ACUITE BBB Stable Upgraded Positive to Stable (from ACUITE BBB-)

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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