

Press Release

G. M. Exports (GME)

01 February, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.26.50 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) and short term rating of '**SMERA A4+**' (read as SMERA A four plus) to the Rs.26.50 crore bank facilities of G. M. Exports (GME). The outlook is '**Stable**'.

GME was established in 1995 as a partnership firm by partners, Mr. Rajesh Makwana and Mr. Chirag Makwana. The firm is a Del Credere Agent (DCA) and a consignment stockist (CS) of Gas Authority of India Limited (GAIL) for distribution of polymer products in Gujarat.

List of key rating drivers and their detailed description

Strengths:

Long track record of operations and established association with GAIL: The firm benefits from its long track record of operations of over two decades. Besides, the firm has established association with GAIL since 2002.

Weaknesses:

High counterparty credit risk leading to high working capital requirements: The firm being a DCA/CS for GAIL is exposed to high counterparty credit risk as the risk (receivables) is transferred from GAIL to GME, resulting in high working capital requirements. This ultimately influences the net profit margin which stands at 1.41 per cent in FY2016 and the financial risk profile of the firm.

Below average financial risk profile: The firm has below average financial risk profile with low net worth of Rs.5.56 crore as on 31 March, 2016. The total outside liability to tangible net worth ratio is high at 2.40 times as on 31 March, 2016 and interest coverage ratio stands low at 1.34 times in FY2016.

Capital withdrawal risk: The firm is exposed to capital withdrawal risk owing to the partnership constitution of the firm.

Analytical approach: SMERA has considered the standalone financial and business risk profiles 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 GME 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 firm is able to increase its scale of operations and profitability while maintaining efficient working capital. Conversely, 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

GME was established in 1995 as a partnership firm by Mr. Rajesh Makwana and Mr. Chirag Makwana. The firm is a Del Credere agent and consignee stockist of GAIL India Limited for linear low-density poly ethylene (LLDPE) and high-density polypropylene (HDPE) for Gujarat region.

For FY2015-16, GME reported net profit of Rs.0.28 crore on operating income of Rs.20.10 crore, as compared to net profit of Rs.0.34 crore on operating income of Rs.12.92 crore in FY2014-15. The net worth stood at Rs.5.56 crore as on 31 March, 2016 against Rs.5.58 crore a year earlier.

Status of non-cooperation with previous CRA: CRISIL Ratings in its press release dated 27 December, 2012 has suspended the rating of G. M. Exports stating 'The suspension of ratings is on account of non-cooperation by G.M with CRISIL's efforts to undertake a review of the ratings outstanding. Despite repeated requests by CRISIL, G.M is yet to provide adequate information to enable CRISIL to assess G.M's ability to service its debt.'

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	2.00	SMERA BB /Stable (Assigned)	-	-	-	-	-	-
Cash Credit under eDFS	LT	18.00	SMERA BB /Stable (Assigned)	-	-	-	-	-	-
Bank Guarantee	ST	5.00	SMERA A4+ (Assigned)	-	-	-	-	-	-
Letter of Credit	ST	1.50	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	N.A	N.A	N.A	2.00	SMERA BB /Stable (Assigned)
Cash Credit under eDFS	N.A	N.A	NA	18.00	SMERA BB /Stable (Assigned)
Bank Guarantee	N.A	N.A	NA	5.00	SMERA A4+ (Assigned)
Letter of Credit	N.A	N.A	NA	1.50	SMERA A4+ (Assigned)

Note on complexity levels of the rated instrument:

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

Contacts:

Analytical	Rating Desk
Mr. Vinayak Nayak, Head – Rating Operations SMERA Bond Ratings Tel: +91-22-6714 1190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: +91-22-67141 160 Email: varsha.bist@smera.in
Ms. Reema Gangola, Rating Analyst, Tel: +91-22-6714 1111 Email: reema.gangola@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.