

Press Release

G S Agri Exim Private Limited (the erstwhile G S Exim Private Limited)

08 February, 2017

Rating Upgraded

Total Bank Facilities Rated*	Rs.7.00 Crore
Long Term Rating	SMERA BB/Stable (Upgraded from SMERA BB-/Stable)
Short Term Rating	SMERA A4+ (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has upgraded the long term rating to '**SMERA BB**' (**read as SMERA double B**) from '**SMERA BB-** (**read as SMERA double B minus**)' and reaffirmed the short term rating of '**SMERA A4+**' (**read as SMERA A four Plus**) on the abovementioned bank facilities of G S Agri Exim Private Limited (GSAEPL). The outlook continues to remains '**Stable**'.

The Indore-based, GSAEPL is engaged in the trading of agro-commodities mainly cattle feed, yellow maize, wheat, cotton seed cake among others. The firm's name was changed from G S Exim Private Limited to G S Agri Exim Private Limited on 14 January 2016.

The rating upgrade takes into account the significant growth in revenues, improvement in profitability and coverage indicators. Further, the upgrade is also supported by improvement in the working capital cycle on account of better realisation from customers.

List of key rating drivers and their detailed description

Strengths:

Experienced management: GSAEPL was incorporated in 1995 by Mr. Ram Kumar Agrawal and Mrs. Prema Agarwal (Directors), who possess experience of over two decades in the trading of agro-commodities.

Moderate financial risk profile: Notwithstanding the significant improvement in operating income to Rs.45.52 crore in FY2015-16 from Rs.27.78 crore in FY2014-15, the operating income is considered to be moderate. The operating margin of the company improved to 3.51 per cent in FY2015-16 from 2.70 per cent in FY2014-15. Moreover, the interest coverage ratio improved to 1.87 times in FY2015-16 from 1.05 times in FY2014-15. The gearing of the company stood at 1.10 times as on 31 March, 2016 against 1.25 times in the previous year.

Improved working capital cycle: The working capital cycle registered improvement as evident from the GCA days of 71 in FY2015-16 as compared to 109 in FY2014-15 owing to faster realisation of debtors in FY2015-16.

Weaknesses:

Stretched liquidity: The liquidity is stretched marked by average cash credit utilisation of ~99.46 per cent for the period June 2016 to November 2016.

Competitive and fragmented nature of industry: The agro-commodities industry is highly competitive with several organised as well as unorganised players and low entry barriers.

Agro climatic risks: The company is exposed to agro climatic risks since the availability of the key raw materials are highly dependent upon the monsoon.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the company.

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 company will continue to maintain a stable outlook owing to the management's extensive experience in the agro trading business and established relationships with customers. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in the capital structure or deterioration in the financial risk profile.

About the Rated Entity

GSAEPL, incorporated in 1995, is engaged in the trading of agro-commodities - mainly cattle feed, yellow maize, cotton seed cake among others.

In FY2015-16 the company achieved operating income of Rs.45.52 crore with Profit After Tax (PAT) of Rs.0.58 crore as compared to operating income of Rs.27.78 crore with PAT of 0.36 crore a year earlier. The networth stands at Rs.3.97 crore as on 31 March, 2016 as compared to Rs.3.38 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	4.00	SMERA BB/Stable (Upgraded from SMERA BB-/Stable)	3 Dec, 2015	SMERA BB-/Stable (Assigned)	-	-	-	-
Letter of Credit	ST	3.00	SMERA A4+ (Reaffirmed)	3 Dec, 2015	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	4.00	SMERA BB/Stable (Upgraded from SMERA BB-/Stable)
Letter of Credit	N.A	N.A	N.A	3.00	SMERA A4+ (Reaffirmed)

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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