

Press Release

GS Agri Exim Private Limited (GSAE)

08 May, 2018



Rating Upgraded and Reaffirmed

| | |
|-------------------------------------|---|
| Total Bank Facilities Rated* | Rs. 7.00 Cr. |
| 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 long term rating of '**SMERA BB+** (read as SMERA double B plus) to the bank facility of Rs.4.00 crore and reaffirmed the short term rating of '**SMERA A4+** (read as SMERA A four plus) on the bank facility of Rs.3.00 crore of GS Agri Exim Private Limited (GSAE). The outlook is '**Stable**'.

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

The Indore-based, GS Agri Exim Pvt. Ltd (formerly known as GS Exim Pvt. Ltd) was incorporated in 1995. Subsequently, Mr. Ram Kumar Agrawal took over the company in 2009. GSAE is engaged in the trading of agro-commodities used in cattle feed mainly De-Oiled Rice Bran, Rapeseed De-Oiled Cake, Sal Seed to name a few. GSAE caters to domestic market which includes government dairies.

Key rating drivers

Strengths:

Experienced promoters

The company was promoted by Mr. Ram Kumar Agarwal and Mrs. Prema Agrawal who possess over a decades experience in the agricultural industry. SMERA believes that GSAE will continue to benefit from its established position in the market and experienced management.

Healthy growth in revenues

GSAE has been growing at a compound annual growth rate (CAGR) of 65 percent from FY2015 to FY2017. The company registered a turnover of Rs.75.49 crore in FY2017, an improvement from Rs.45.52 crore in FY2016 and Rs.27.78 crore in FY2015. Further, GSAE has registered a turnover of ~Rs.110.00 crore for FY2018. The increase in revenues is backed by increase in the number of orders on account of increase in customer base.

Improved working capital cycle

The working capital is comfortable with Gross Current Assets (GCA) days of 100 in FY2017 as against 71 in FY2016. The inventory holding period is 43 days in FY2017 as against 63 days in FY2016. Receivable days are comfortable at 8 days in FY2017 against 1 day in FY2016. However, GCA days for FY2017 are mainly dominated by Rs.9.73 crore advances given to group company classified under other current assets, payment for which have been received during FY2018.

Weakness:

Average financial risk profile

GSAE has an average financial risk profile marked by low networth of Rs.4.42 crore as on March 31, 2017 from Rs.3.97 crore in the previous year. The gearing stood moderate at 2.01 as on March 31, 2017 as against 1.13 times in the previous year. The Interest Coverage Ratio (ICR) stood at 1.67 times in FY2017 and 1.99 times in FY2016. The TOL/TNW increased to 3.68 times as on March 31, 2017 as against 1.25 times as on March 31, 2016.

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 GSAE to arrive at the rating.

Outlook: Stable

SMERA believes that the outlook on GSAE will remain 'Stable' over the medium term on account of the promoters' experience in the agricultural industry. The outlook may be revised to 'Positive' if the company registers growth in profitability margins while maintaining a comfortable liquidity position and capital structure. Conversely, the outlook may be revised to 'Negative' in case of significant decline in cash accruals or deterioration of its financial risk profile due to higher than expected working capital requirements.

About the Rated Entity - Key Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 75.49 | 45.52 | 27.78 |
| EBITDA | Rs. Cr. | 1.73 | 1.60 | 0.75 |
| PAT | Rs. Cr. | 0.45 | 0.58 | 0.36 |
| EBITDA Margin | (%) | 2.29 | 3.51 | 2.70 |
| PAT Margin | (%) | 0.60 | 1.28 | 1.29 |
| ROCE | (%) | 15.90 | 21.20 | 32.86 |
| Total Debt/Tangible Net Worth | Times | 3.68 | 1.25 | 1.46 |
| PBDIT/Interest | Times | 1.67 | 1.99 | 1.74 |
| Total Debt/PBDIT | Times | 5.14 | 2.63 | 3.38 |
| Gross Current Assets (Days) | Days | 100 | 71 | 109 |

Any other information:

Not Applicable

Applicable Criteria

- Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>
- Trading Entities: <https://www.smera.in/criteria-trading.htm>

Note on complexity levels of the rated instrument

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

Status of non-cooperation with previous CRA (if applicable): None

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Crore) | Ratings/Outlook |
|-------------|---------------------------------|------------|--------------------|------------------------------|
| 8-Feb-2017 | Cash Credit | Long Term | 4.00 | SMERA BB/ Stable (Upgraded) |
| | Letter of Credit | Short Term | 3.00 | SMERA A4+ (Reaffirmed) |
| 03-Dec-2015 | Cash Credit | Long Term | 4.00 | SMERA BB-/ Stable (Assigned) |
| | Letter of Credit | Short Term | 3.00 | 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 | Not Applicable | Not Applicable | Not Applicable | 4.00 | SMERA BB+/ Stable (Upgraded) |
| Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 3.00 | SMERA A4+ (Reaffirmed) |

Contacts:

| Analytical | Rating Desk |
|--|---|
| Suman Chowdhury President - SMERA Bond Ratings Tel: +91-22-6714 1107 suman.chowdhury@smera.in | Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in |
| Manmisha Sodhi, Analyst - Rating Operations Tel: +91-22-6714 1133 manmisha.sodhi@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.