

Press Release

G S Sortex India Private Limited

August 09, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 14.20 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) on the Rs. 14.20 crore bank facilities of G S Sortex India Private Limited. The outlook is '**Stable**'.

G S Sortex India Private Limited (GSSIPL), incorporated in 2014 is an Uttar Pradesh-based company engaged in the milling and processing of rice - paddy, boiled rice among others. The commercial operations commenced in November, 2015. The company was promoted by Mr. Hari Shyam Gupta, Mr. Hari Om Gupta, Mr. Radhey Shyam Gupta and others and the installed capacity stands at 5 metric tons per hour.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters, Mr. Hari Shyam Gupta, Mr. Hari Om Gupta, Mr. Radhey Shyam Gupta and others are engaged in the day-to-day operations of the company and have around two decades of experience in the industry.

- **Moderate financial riskprofile**

The moderate financial risk profile is marked by networth of Rs.7.80 crore as on 31 March, 2017 compared to Rs.7.16 crore as on 31 March, 2016. The net worth includes unsecured loans of Rs.2.80 crore from promoters which are subordinated to bank debt. Hence, SMERA has treated them as quasi equity. Further, the gearing of the company stands moderate at 1.87 times as on 31 March, 2017 compared to 1.63 times in the previous year. The total debt includes term loan of Rs. 5.27 crore and cash credit of ~ Rs 9.33 crore. The interest coverage of the company stood at 2.59 times in FY2017 as against 1.96 times in the previous year. The debt service coverage ratio (DSCR) stands moderate at 1.54 times in FY2017 as compared to 2.01 times in FY2016. The net cash accruals to total debt (NCA/TD) stands at 0.16 times in FY2017 as against 0.07 times in FY2016.

Weaknesses

- **Agro climatic risk**

Paddy, the main raw material required for rice is a seasonal crop and production of the same is highly dependent upon the monsoon season. Thus inadequate rainfall may affect the availability of paddy under adverse weather conditions.

- **Intense competition**

The company operates in a highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganised sector limits its bargaining power with customers.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the company.

Outlook: Stable

SMERA believes that the company will maintain a stable outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the company achieves higher than expected growth in revenues and improvement in the capital structure. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile due to debt-funded capex.

About the Rated Entity - Key Financials

For FY2016-17, GSSIPL reported PAT of Rs.0.52 crore on operating income of Rs.54.29 crore compared with PAT of Rs.0.02 crore on operating income of Rs.22.94 crore for FY2015-16. The net worth stood at Rs.7.80 crore as on 31 March, 2017 as against Rs.7.16 crore a year earlier. The net worth of Rs.7.80 crore in FY2017 includes quasi equity of Rs.2.80 crore.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	6.20	SMERA BB- / Stable

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ABOUT SMERA

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