

Press Release

NORTH GUJARAT SAT ISABGUL INDUSTRIES PRIVATE LIMITED

February 19, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (**read as SMERA BBB minus**) on the Rs. 6.00 crore bank facilities of NORTH GUJARAT SAT ISABGUL INDUSTRIES PRIVATE LIMITED. The outlook is '**Stable**'.

Gujarat based - North Gujarat Sat Isabgul Industries Private Limited was incorporated in 1976 by Mr. Himashu Patel, Mr. Narendra Kumar Patel and Mr. Mihir Patel. The company is engaged in the manufacturing and processing of Isabgul. The key raw material is psyllium seed which are procured from APMC Unjha. Further the company has installed capacity of 21 MT per day in seeds and 6 MT per day in husk.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

NGSIIPL was established by Mr. Himashu Patel, Mr. Narendra Kumar Patel and Mr. Mihir Patel. The directors of the company have over four decades of experience the manufacturing and processing of Isabgul. Thus NGSIIPL benefits from its long track record of operations and long term relations with customers and suppliers.

- **Healthy revenue growth Y-o-Y**

Despite moderate scale of operations, the company has been able to achieve a high CAGR of 15.00 percent over the couple of years. Further the company has booked revenue of Rs.48.00 crore till 31 Jan 2018. The projected revenue is Rs.53.00 crore by the end of the FY2018.

- **Moderate financial risk profile and healthy working capital cycle**

The company has moderate financial risk profile marked by moderate net worth of Rs.5.37 crore as on 31 March 2017 as compared to Rs.5.02 crore as on 31 March 2016. The interest coverage ratio of the company stood at 1.90 times for FY2017 as compared to 1.80 times for FY2016. Further the company has healthy working capital cycle marked by GCA days of 36 in FY2017 as compared to 40 days in FY2016. The GCA days are marked by debtor days which stood low at 6 in FY2017 as compared to 23 days in FY2016.

Weaknesses

- **Margins susceptible to raw material price fluctuations**

Psyllium seeds, the main raw materials being an agricultural produce, the availability and pricing of the same depends upon various factors such as monsoon during the year, area under cultivation, demand domestically and internationally along with various other factors. Hence, the profitability margins for the company are susceptible to the variation on raw material prices

- **Agro climatic risk**

Being agro products, the industry has to depend on monsoons, crop yields, and the area under cultivation, minimum support prices and other financial incentives announced by the government. Any change in the monsoon/climate conditions may interrupt the supply of psyllium.

Analytical Approach

SMERA considered standalone financial and business risk profile of the company to arrive at the rating.

Outlook: Stable

SMERA believes the outlook on NGSIPL's will remain stable over the medium term on account of the company's experienced management and comfortable financial risk profile. The outlook may be revised to 'Positive' if the company registers a sustained growth in revenue while improving profit margins. Conversely, the outlook may be revised to 'Negative' if there is a steep decline in the company's operating profit margins or in case of a significant deterioration in the company's capital structure on account of larger than envisaged debt funded capex and working capital borrowings.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	52.12	43.43	39.53
EBITDA	Rs. Cr.	1.25	1.18	1.00
PAT	Rs. Cr.	0.35	0.32	0.30
EBITDA Margin	(%)	2.39	2.72	2.52
PAT Margin	(%)	0.68	0.73	0.75
ROCE	(%)	22.55	23.07	39.87
Total Debt/Tangible Net Worth	Times	0.00	0.01	1.43
PBDIT/Interest	Times	1.90	1.80	1.99
Total Debt/PBDIT	Times	0.00	0.04	6.70
Gross Current Assets (Days)	Days	36	40	41

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	4.35	SMERA BBB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.65	SMERA BBB- / Stable

Contacts

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