

Press Release

Gita Devi Flour Mills Private Limited (GDFMPL)

April 03, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA B/ Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA B**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 10.00 crore bank facilities of Gita Devi Flour Mills Private Limited. The outlook is '**Stable**'.

Gita Devi Flour Mills Private Limited (GDFMPL) was established in the year of 2014 by Mrs. Usha Agarwal. The company is engaged in manufacturing of flour with the installed capacity of 120 MTPD. The manufacturing facility is located in Alipurduar in West Bengal. The company procures its raw material i.e. wheat from local farmers of West Bengal and Bihar and caters mainly to the local market and wholesaler in Assam.

Key Rating Drivers

Strengths

• Experienced management

The promoter, Mrs Usha Agarwal has experience of almost a decade in manufacturing and distribution of other food products through other organization Mr. Ankur Majumder and Mrs Sudipta Majumder, director of GDFMPL are also associated with the day to day operation with Mrs Usha Agarwal.

• Efficient working capital management

The working capital management of the company is marked by moderate gross current asset (GCA) days of 45 in FY2017 as compared to 47 days in the previous year. The collection period and inventory days stands comfortable at 10 and 11 days respectively in FY2017 as compare to 4 and 21 days respectively in FY2016. The working capital cycle of the company also stands comfortable at 8 days in FY2017 as compared to 15 days in the previous year.

Weaknesses

• Moderate scale of operation

The scale of operation stood moderate at Rs.13.48 crore in FY2017 as compare to Rs.15.05 crore in FY2016. The company has booked revenues of around Rs.13.00 crore till January 2018 (Provisional).

• Weak financial risk profile

The average financial risk profile of the company is marked by low networth, high gearing and healthy debt protection metrics. The net worth of the company stood low at Rs.0.61 crore in FY2017 as compare to Rs.0.66 crore in FY2016. The gearing of the company stood high at 5.43 times in FY2017 as compare to 5.58 times in FY2016. The total debt of Rs.3.34 crore is consists of long term debt of Rs.0.68 crore, short term rating of Rs.1.62 crore and unsecured loan from promoters of Rs.1.04 crore. The interest coverage ratio (ICR) of the company stood comfortable at 2.39 times in

FY2017 as compare to 2.45 times in FY2016. The debt service coverage ratio (DSCR) of the company stood comfortable at 1.19 times in FY2017 as compare to 2.45 times in FY2016. The net cash accruals against the total debt stand comfortable at 0.17 times in FY2017 as compare to 0.19 times in FY2016.

• **Volatility in raw material prices and finished goods**

Margins of the company are susceptible to volatility in wheat prices. Any significant changes in wheat prices due to import pressure and over supply would have an impact on margins of the company.

Analytical Approach

For arriving at the ratings SMERA has considered the standalone financial performance and financial risk profile of GDFMPL.

Outlook: Stable

SMERA believes GDFPL will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues while achieving sustained improvement in profit margins and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the firm fails to achieve the projected revenues, or in case of deterioration in the company's financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	13.48	15.05	8.88
EBITDA	Rs. Cr.	0.87	1.14	0.75
PAT	Rs. Cr.	0.07	0.04	(0.39)
EBITDA Margin	(%)	6.49	7.55	8.49
PAT Margin	(%)	0.54	0.25	(4.41)
ROCE	(%)	11.30	12.38	3.18
Total Debt/Tangible Net Worth	Times	5.43	5.58	(3381)
PBDIT/Interest	Times	2.39	2.45	1.69
Total Debt/PBDIT	Times	3.51	3.08	5.38
Gross Current Assets (Days)	Days	45	47	25

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

NA

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.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	4.00	SMERA B/Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA A4

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