

Press Release

Gurusharanam Foods (GF)

09 April, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs.6.50cr.
Long Term Rating	SMERA BB-/Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned rating of '**SMERA BB-' (read as SMERA double B minus)** on the Rs.6.50 crore bank facilities of Gurusharanam Foods (GF). The outlook is '**Stable**'.

Gurusharanam Foods (GF), a Haryana based firm was established in 2008 as a partnership firm by Mr. Gian Sagar Sardana and Mr. Mohit Sardana. GF is involved in processing of paddy and processing of semi processed rice. During FY18, the firm started with trading of rice as well which constituted to about one-third of the total revenues earned. The installed capacity for paddy processing is 2MT per hour utilised to the tune of 15-20 per cent. The installed capacity for semi-processed rice processing is 6MT per hour utilised to the tune of 50 per cent.

Key Rating Drivers**Strengths**

- **Experienced management**

The partners for GF are Mr. Gian Sagar Sardana and Mr. Mohit Sardana. Mr. Gian Sagar Sardana has more than four decades of experience in this line of business as he was involved in trading of agro products mainly rice. Mr. Mohit Sardana has around a decade of experience in this line of business.

- **Diversified geographical reach**

The firm sells in the domestic as well as export market and derives around 60 per cent and 40 per cent revenues respectively from the markets. In the domestic market, the firm sells in the markets of Haryana, Delhi and Mumbai to name a few. On the other hand, in the overseas market, the firm caters to demand mainly in Latin America, America and Europe.

Weaknesses

- **Average financial riskprofile**

The financial risk profile of the company is marked by low networth, modest gearing and average debt protection metrics. The net worth levels of the company stood at Rs. 3.22 crore as on 31 March, 2017 compared to Rs. 2.97 crore as on 31 March, 2016. The gearing stood at 1.61 times as on 31 March, 2017 versus 2.07 times as on 31 March, 2016. The interest coverage ratio (ICR) stood at 1.28 times in FY2017. The debt service coverage ratio (DSCR) stood at 1.23 times in FY2017. The total outside liabilities to tangible networth (TOL/TNW) stood at 1.59 times in FY2017 and 2.16 times in FY2016.

- **Modest scale of operations**

The scale of operations is small evident from the revenue of Rs.16.02 crore in FY2017 compared to Rs.16.38 crore in FY2016. As informed by the management, the firm registered revenue of around Rs.30 crore from April 2017 to February 2018(Provisional).

• Risk of capital withdrawal

The firm is exposed to risk of capital withdrawal considering its partnership constitution. There have been instances of capital withdrawal last year as evident from decline in partners' capital at Rs. 2.04 crore in FY2016 and Rs.1.77 crore in FY2017.

Analytical Approach

SMERA has considered standalone business and financial risk profiles of the firm.

Outlook: Stable

SMERA believes that the outlook of GF will remain stable owing to its experienced management and wide geographical reach. The outlook may be revised to 'Positive' if the firm achieves sustained growth in revenue with improvement in its capital structure. Conversely, the outlook may be revised to 'Negative' in case of deterioration of capital structure or steep decline in revenue and profit margins.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	16.02	16.38	15.02
EBITDA	Rs. Cr.	0.86	0.88	0.79
PAT	Rs. Cr.	0.08	0.06	0.06
EBITDA Margin	(%)	5.36	5.35	5.24
PAT Margin	(%)	0.47	0.38	0.37
ROCE	(%)	9.43	9.98	19.18
Total Debt/Tangible Net Worth	Times	1.61	2.07	1.46
PBDIT/Interest	Times	1.28	1.28	1.34
Total Debt/PBDIT	Times	5.60	6.62	5.23
Gross Current Assets (Days)	Days	131	161	170

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

On 5th February 2018, India Ratings and Research Private Limited has migrated Gurusharanam Foods (GF) Long Term Issuer and Short Term Issuer Rating to the non-cooperating category.

Any other information

NA

Applicable Criteria

- Manufacturing entities- <https://www.smera.in/criteria-manufacturing.htm>
- 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>

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

None

***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	NA	NA	NA	6.25	SMERA BB-/Stable
Proposed fund based	NA	NA	NA	0.25	SMERA BB-/Stable

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ABOUT SMERA

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