

Press Release
Gautam Grains Stores

June 02, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 9.50 Cr.
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned short-term rating of '**ACUITE A4** (**read as ACUITE A four**) on the Rs.9.50 crore bank facilities of Gautam Grains Stores (GGS).

Gautam Grains Stores (GGS) is a partnership firm established in 2013 by Mr. Gautam Aggarwal and Mr. Sanjeev Aggarwal. The firm is engaged in storage and trading/exports of agricultural commodities, particularly rice. The commercial operations of the firm started from 2015. The processing and warehouse unit is located in Gandhidham (Gujarat).

Key Rating Drivers

Strengths

• **Healthy order book position**

GGS has a healthy order book position of Rs.77.00 crore as on May 17, 2018 expected to be completed by September 2018. The order book provides comfortable revenue visibility over the medium term.

• **Comfortable financial risk profile**

The financial risk profile of GGS is marked by moderate networth, low gearing and healthy debt protection metrics. The networth stood at Rs.15.38 crore as on March 31, 2018 (Provisional) against Rs.6.92 crore as on March 31, 2017. The gearing levels of the firm stood at a low level of 0.98 in FY2018 (Provisional). The company has availed short term facilities commenced in FY2018 (Provisional). The total debt of Rs.15.03 crore comprises of short term facilities for working capital requirements. The Total outside Liabilities/ Tangible Net Worth (TOL/TNW) stood at 2.33 times in FY2018 (Provisional). The Interest Coverage Ratio stood at 10.99 times in FY2018 (Provisional). The Debt Service Coverage Ratio stood at moderate 10.99 times in FY2018 (Provisional). The Net Cash Accruals/ Total Debt (NCA/TD) stood at 0.15 times in FY2018 (Provisional).

Weaknesses

• **Exposure to agro climatic risk**

The firm operates in the food processing industry. The availability and prices of the agricultural commodities is highly dependent on the agro climatic conditions. Hence, the operations and profitability of GGS is exposed to agro climatic risks.

• **Customer concentration risk**

The firm derives over 75 percent of its revenue by exporting rice to Dhirani Food Stuff Co., thus, exposing the firm to significant customer concentration risk. This high concentration results in limited pricing power with its key customer as well as vulnerability to changes in the profile of Dhirani Food Stuff Co.

• Foreign exchange risk

The firm derives more than 90 percent of its revenues by exporting rice to UAE. Hence, the firm's margins are exposed to foreign exchange fluctuations with no hedging policy adopted by the firm.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the GGS to arrive at this rating.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	58.20	12.70	0.35
EBITDA	Rs. Cr.	2.05	0.75	0.01
PAT	Rs. Cr.	0.94	0.10	-0.25
EBITDA Margin	(%)	3.52	5.92	3.18
PAT Margin	(%)	1.61	0.81	-71.82
ROCE	(%)	6.19	1.95	-11.61
Total Debt/Tangible Net Worth	Times	0.98	0.00	0.00
PBDIT/Interest	Times	10.99	117.65	6.81
Total Debt/PBDIT	Times	6.22	0.00	0.12
Gross Current Assets (Days)	Days	234	29	1672

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.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. Crore)	Ratings/Outlook
PC/PCFC*	Not Applicable	Not Applicable	Not Applicable	9.50	ACUITE A4

*Includes instruments such as Packing Credit in Foreign Currency, Foreign Bill Purchase, Foreign Currency Bill Purchase and Foreign Bill Discounted

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About Acuité Ratings & Research:

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