

Press Release

Rama Gum Industries India Limited

November 09, 2020



Rating Withdrawn

Total Bank Facilities Rated*	Rs. 57.00 Cr.
Long Term Rating	ACUITE BBB- (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has reviewed and withdrawn the long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) on the Rs. 57.00 crore bank facilities of Rama Gum Industries India Limited (RGIL).

The rating has been withdrawn on account of request received from the company and NOC received from the banker as per Acuité's policy.

RGIL was established as a partnership firm in 1989, and later in 2013 was constituted as a public limited company by Mr. Babulal Shah (Founder), Mr. Mitul Shah (Managing Director) and Mr. Jinpal Shah (Director). The company is engaged in manufacturing and trading of guar splits, guar churi, guar korma, and guar gum powder from guar seeds. The company has four manufacturing units situated at Deesa (Gujarat). The company has its flagship brand 'Ricol'. The installed capacity stands at 13200 MTPA for guar gum splits, 30000 MTPA for guar churi/korma and 12210 MTPA for guar gum powder. The company largely caters to the export market and sells its product to 45 countries. The industry to which RGIL caters to includes oil drilling, explosives, food, animal feed, pharmaceuticals and cosmetics, to name a few.

Analytical Approach

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

Key Rating Drivers

Strengths

- Established track record of operations and experienced management**

The promoters Mr. Babul Shah has more than four decades of experience in the guar gum industry. Another director, Mr. Mitul Shah manages the production and export, who has more than two decades of experience in the same line of business. This has enabled the company to forge healthy relationships with customers and suppliers. The company is also well supported by the second line of management. RGIL will continue to benefit from experienced management and established track record to forge customer relationships over the medium term.

- Moderate financial risk profile**

The financial risk profile is marked by net worth of Rs. 35.16 crore as on 31 March, 2020 as compared to Rs. 31.58 crore 31 March, 2019. The gearing (debt to equity ratio) stood low at 1.42 times as on 31 March 2020 as against 1.59 times as on 31 March 2019. The Interest Coverage Ratio (ICR) stood comfortable at 3.75 times in FY2020 as against 2.84 times in FY2019. The Debt Service Coverage Ratio (DSCR) stood comfortable at 3.09 times in FY2020 as against 2.32 times in FY2019. TOL/TNW stood at 1.84 times as on 31 March 2020 as against 1.87 times as on 31 March 2019. Debt/EBITDA stood high at 6.21 times as on 31 March 2020 as against 5.58 times as on 31 March 2019. RGIL has no long term debt obligation. Net cash accruals stood at Rs. 4.49 crore in FY2020 as compared to Rs. 4.19 crore for FY2019.

- Healthy business profile marked by moderate working capital cycle**

RGIL's operating income stood at Rs. 306.67 crore in FY2020 as against Rs. 318.58 crore in FY2019. RGIL

has a product profile which includes Guar Gum powder, Guar splits and Guar Churi. Further, RGIL has added a new product in the existing business profile, i.e. Guar Roasted Korma. The company has achieved an operating income of Rs.152.01crores for 6M FY2021.

Further, the company has moderately working capital intensive cycle marked by Gross Current Asset (GCA) days of 100 days for FY2020, which has increased from 86 days for FY2019. The increase in GCA days was marked by an increase in receivables days to 45 days for FY2020 from 36 days for FY2019. Inventory holding days stood at 46 days for FY2020 as against 44 days for FY2019. The company does not get much credit from its suppliers which results in moderate reliance on bank limit. The working capital limits are utilized is 90-95 percent for last six month ending October 2020.

Weaknesses

- **Susceptibility to volatility in raw material prices, resulting in intense competition and adverse impact of regulatory change**

The major raw material for RGIL is guar seeds, the prices of which are highly volatile in nature. In India, guar seed (the input for guar gum) is mainly grown in two states - Haryana and Rajasthan - and harvested between September and December. RGIL's margins and operating income are susceptible to volatility in raw material prices. Further, stiff competition from other established unorganised players has resulted in uneven operating profitability, which stood at 2.55 per cent in FY2020 as against 2.75 per cent in FY2019 and 3.04 per cent in FY2018. Uneven rainfall may impact the production of guar seed and also the regulatory changes may further impact players like RGIL.

Liquidity Position: Adequate

The Net cash accruals stood at Rs. 4.49 crore in FY2020 as compared to Rs. 4.19 crore for FY2019. RGIL has no long term debt obligation. The Current Ratio of the company stood high at 1.36 times in FY2020 as compared to 1.48 times in FY2019. The working capital bank limit utilisation stood between 90-95 percent for last six month ending October 2020. The NCA/TD Ratio stood at 0.09 for FY2020. The unencumbered cash and bank balance stood low at Rs. 0.06 crores as on 31 March 2020

Rating Sensitivities

- Sustaining existing business and financial risk profile
- Susceptibility to volatility in raw material prices

Outlook:

Not Applicable

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	306.67	318.58
PAT	Rs. Cr.	3.57	3.41
PAT Margin	(%)	1.17	1.07
Total Debt/Tangible Net Worth	Times	1.42	1.59
PBDIT/Interest	Times	3.75	2.84

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

None

Any other information

None

Any Material Covenants

Not Any

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
22-Aug-2019	Packing Credit	Long Term	55.00*	ACUITE BBB-/ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	2.00	ACUITE BBB-/ Stable (Reaffirmed)
05-Dec-2018	Packing Credit	Short Term	45.00	ACUITE A3 (Withdrawn)
	Packing Credit	Long Term	55.00	ACUITE BBB-/ Stable (Assigned)
	Proposed Bank Facility	Long Term	2.00	ACUITE BBB-/ Stable (Assigned)
03-Jul-2018	Packing Credit	Short Term	45.00	ACUITE A3 (Assigned)

*Includes sublimit as LC to the extent of Rs. 5.00 crores

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	55.00*	ACUITE BBB- (Withdrawn)
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB- (Withdrawn)

*Includes sublimit as LC to the extent of Rs. 5.00 crores

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About Acuité Ratings & Research:

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