

Press Release



Guru Gobind Foods And Agro Private Limited

16 July, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	ACUITE B+/ Outlook: Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs. 12.00 crore bank facilities of Guru Gobind Foods And Agro Private Limited (GGFAPL). The outlook is '**Stable**'.

Incorporated in 2013- Guru Gobind Foods and Agro Private Limited is a Punjab based company engaged in processing and milling of basmati and non-basmati rice with an installed capacity of 14 Tons per hour (TPH). The company is promoted by Mr. Shaminder Singh Sandhu and it sells the rice under the brand name- Naymat and Zafran.

Key Rating Drivers

Strengths

Experienced Management

Guru Gobind Foods and Agro Private Limited was promoted by Mr Shaminder Singh Sandhu who comes from business background and has past experience of managing business of departmental store and transportation business in USA.

Improvement in operating income

The operating income has shown a cumulative growth of 25.33 per cent in the last two years of operations, the revenue of the company improved to Rs 55.50 crs as on 31st March'2018 (prov) from Rs 35.22 crs in FY 16.

Weaknesses

Working capital Intensive Operations

The operations are working capital cycle intensive in nature marked by Gross Current Asset (GCA) days of 178 for FY2018 (prov) as against 183 days in the previous year. The high GCA days are on account of inventory days of 127 in FY 18 (prov) as compare to 163 days in FY 17 which the company maintains in order to mitigate the volatility in the paddy prices. Further, the liquidity position is moderate with average cash credit limit utilization of over 90 percent.

Moderate financial risk profile

The financial risk profile is moderate marked by modest net worth, high gearing and moderate debt protection metrics. The net worth stood at Rs. 7.63 crore as on 31 March, 2018 (prov) compared with Rs. 7.61 crore as on 31st March, 2017. The gearing stood at high at 3.82 times as on 31st March, 2018 (prov) compared to 3.40 times in the previous year. The interest coverage ratio (ICR) stood at 1.79 times in FY2018 (Prov) compared to 1.96 times in FY2017. The DSCR stood at 1.10 times in FY2018 (Prov) compared to 1.18 times in FY2017.

Agro climatic risks and Exposed to risk related with fluctuation in raw material price

Paddy which is the main raw material required for rice is a seasonal crop and the production of the same is highly dependent upon monsoon season. Thus inadequate rainfall may affect the availability of paddy in adverse weather conditions.

Outlook: Stable

ACUITE believes that the outlook of the company will remain stable over the medium term backed by promoter's experience. The outlook may be revised to 'Positive' in case of its ability to increase its revenue and improving its financial risk profile. The outlook may be revised to 'Negative' in case of decline in the revenue and profitability and/or deterioration of debt protection metrics on the back of higher than expected working capital requirement.

Analytical Approach: ACUITE has considered the standalone business and financial risk profiles of the company to arrive at the rating.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	48.91	35.22	2.18
EBITDA	Rs. Cr.	3.83	2.92	0.96
PAT	Rs. Cr.	0.36	0.24	0.03
EBITDA Margin	(%)	7.80	8.29	44.09
PAT Margin	(%)	0.73	0.69	1.24
ROCE	(%)	8.75	9.10	3.28
Total Debt/Tangible Net Worth	Times	3.40	2.16	4.99
PBDIT/Interest	Times	1.96	1.93	3.55
Total Debt/PBDIT	Times	6.99	6.75	5.37
Gross Current Assets (Days)	Days	182	146	1780

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>
- Manufacturing Entities - <https://www.acuite.in/criteria-manufacturing.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE B+/ Stable (Assigned)

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About Acuité Ratings & Research:

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