

Press Release

Gajendra Pulse Mills

September 14, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 8.17 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+** (read as **ACUITE B plus**) to the Rs. 8.17 crore bank facilities of Gajendra Pulse Mills. The outlook is '**Stable**'.

The Gujarat based, Gajendra Pulse Mills (GPM) is a partnership firm established in 1991 and taken over by the current partners in 2001. The partners are Mr. Bhikhabhai Patel, Mr. Jayantibhai Patel, Mr. Mahendrabhai Patel, Mr. Rakeshbhai Patel and Mr. Yogeshkumar Patel. The firm is engaged in trading of pulses and processing of udad dal. The firm sells the products under two brand name 'Palan' and 'Pranam'.

Analytical Approach

Acuité has considered standalone business and financial risk profile of Gajendra Pulse Mills to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management**

The firm was established in 1991, thus having operational track record of 28 years in agricultural industry. The firm was then taken over in 2001 by current partners who possess over a decade of experience in the aforementioned line of business.

- **Comfortable working capital operations**

GPM has comfortable working capital operations marked by Gross Current Asset (GCA) of 87 days in FY2018 compared to 135 days in FY2017. The GCA days are mainly dominated by inventory of 72 days in FY2018 compared to 128 days in FY2017. The debtor days stood at 16 days for FY2018 and 7 days for FY2017. Acuité believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Weaknesses

- **Average financial risk profile**

GPM has average financial risk profile marked by tangible net worth of Rs.3.77 crore as on 31 March, 2018 as against Rs.3.17 crore as on 31 March, 2017. The gearing (debt-equity) stood at 1.29 times as on 31 March, 2018 as against 1.47 times as on 31 March, 2017. The debt of Rs.4.88 crore mainly consists of term loan of Rs. 0.27 crore, unsecured loan of Rs.0.31 crore and working capital borrowings of Rs.4.30 crore as on 31 March, 2018. Interest Coverage Ratio (ICR) stood at 1.40 times in FY2018 as against 1.46 times in FY2017. Debt Service Coverage Ratio (DSCR) stood at 1.08 times in FY2018 as against 1.00 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.46 times as on 31 March, 2018 as against 1.59 times as on 31 March, 2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.04 times as on 31 March, 2018 as against 0.04 times as on 31 March, 2017. Going forward, Acuité expects the financial risk profile to improve marginally in the absence of major debt funded capex plans.

- **Exposure to agro climatic risk**

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

- **Competitive and fragmented nature of industry**

Agriculture processing industry is a highly competitive industry due to the presence of multiple players which results in intense competition from both organised as well as unorganised players in the industry.

Outlook: Stable

Acuité believes GPM will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the firm's revenues or profit margins, or in case of deterioration in the firm's financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	34.83	19.12	17.00
EBITDA	Rs. Cr.	0.75	0.62	0.51
PAT	Rs. Cr.	0.04	0.02	0.02
EBITDA Margin (%)	(%)	2.15	3.26	3.03
PAT Margin (%)	(%)	0.13	0.09	0.12
ROCE (%)	(%)	7.07	6.40	10.40
Total Debt/Tangible Net Worth	Times	1.29	1.47	1.10
PBDIT/Interest	Times	1.40	1.46	1.75
Total Debt/PBDIT	Times	6.51	7.45	6.14
Gross Current Assets (Days)	Days	87	135	111

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/view-rating-criteria-4.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.18	ACUITE B+ / Stable
Proposed Bank	Not	Not	Not	3.99	ACUITE B+ / Stable

Facility	Applicable	Applicable	Applicable	
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About Acuité Ratings & Research:

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