

Press Release

Gajendra Pulse Mills

November 19, 2019

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs.8.17 crore bank facilities of Gajendra Pulse Mills (GPM). 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 the standalone business and financial risk profiles of the GPM to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management

GPM 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 agricultural industry.

Acuité believes that the group will continue to benefit from the partner's established presence in the industry over the medium term.

• Moderate financial risk profile

GPM has moderate financial risk profile marked by tangible net worth of Rs.4.48 crore as on 31 March, 2019 as against Rs. 3.77 crore as on 31 March, 2018. The improvement of net worth is due to retention of profits year on year. The gearing (debt-equity) stood at 1.89 times as on 31 March, 2019 as against 1.29 times as on 31 March, 2018. The debt of Rs.8.45 crore mainly consists of unsecured loan of Rs.0.44 crore and working capital borrowings of Rs.8.01 crore as on 31 March, 2018. Interest Coverage Ratio (ICR) stood at 1.36 times in FY2019 as against 1.40 times in FY2018. Debt Service Coverage Ratio (DSCR) stood at 1.19 times in FY2019 as against 1.08 times in FY2018. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.98 times as on 31 March, 2019 as against 1.46 times as on 31 March, 2018.

Acuité believes that the firm will maintain its financial risk profile over the medium term in absence of major debt funded capex plans.

Weaknesses

• Stretched Working Capital Operations

GPM has stretched working capital operations marked by Gross Current Asset days (GCA) of 107 in FY2019 compared to 87 days in FY2018. The GCA days mainly consist of inventory holding period of 90 days in FY2019 compared to 72 days in FY2018. The debtor days stood at 2 for FY2019 and 16 days for FY2018. This has led to high reliance on working capital borrowings. The cash credit limits are fully utilized during the year. Acuité believes that the working capital management will be crucial to the firm in order to maintain a stable credit profile.

• 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. Acuite expects that the revenues and margins of the firm will remain exposed to fluctuations in the commodities prices and intense competitive landscape.

Rating Sensitivity

- Substantial growth in revenue coupled with improving profitability

Material Covenants

None

Liquidity Position: Stretched

The liquidity position of GPM is stretched. The company's working capital operations are intensive marked by Gross Current Asset days (GCA) of 107 in FY2019 compared to 87 days in FY2018. The GCA days mainly consist of inventory holding period of 90 days in FY2019 compared to 72 days in FY2018. This has led to high reliance on working capital borrowings. The cash credit limits are fully utilized during the year. The liquidity is expected to be stretched over the medium term, however, it is likely to improve in the future.

Outlook: Stable

Acuite 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 deterioration in the firm's financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	41.88	34.83	19.12
EBITDA	Rs. Cr.	0.84	0.75	0.62
PAT	Rs. Cr.	0.06	0.04	0.02
EBITDA Margin	(%)	2.00	2.15	3.26
PAT Margin	(%)	0.14	0.13	0.09
ROCE	(%)	6.33	7.07	6.40
Total Debt/Tangible Net Worth	Times	1.89	1.29	1.47
PBDIT/Interest	Times	1.36	1.40	1.46
Total Debt/PBDIT	Times	9.97	6.51	7.45
Gross Current Assets (Days)	Days	107	87	135

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
14-Sept-2018	Cash Credit	Long Term	4.00	ACUITE B+ / Stable (Assigned)
	Term Loan	Long Term	0.18	ACUITE B+ / Stable (Assigned)
	Proposed Bank Facility	Long Term	3.99	ACUITE B+ / Stable (Assigned)

*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	8.00 (enhanced from Rs.4.00)	ACUITE B+ / Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.17 (revised from Rs.3.99)	ACUITE B+ / Stable (Reaffirmed)

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About Acuité Ratings & Research:

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