

Press Release

Gautami Agro Foods Private Limited

October 30, 2018

Rating Assigned



Total Bank Facilities Rated	Rs. 17.00 crore
Long Term Rating	ACUITE B/ Stable (Assigned)

Rating Rationale

Acuite has assigned a long term rating of **'ACUITE B' (read as ACUITE single B)** to the Rs.17.00 crore bank facilities of Gautami Agro Foods Private Limited. The outlook is **'Stable'**.

Incorporated in 2017, Gautami Agro Foods Private Limited (GAFPL) is setting up a wheat flour mill with an installed capacity of 150 metric tonnes per day (tpd) in East Godavari District, Andhra Pradesh. It is promoted by Mrs. Gita Gupta, Mrs. Indra Devi Gupta. The commercial production is expected to start around April 2019.

GAFPL is part of Godavari group which includes companies such as ANG Agro Foods Pvt Ltd, Anjaneya Roller Flour Mills Pvt Ltd, Coromandel Roller Flour Mills Pvt. Ltd, and Godavari Roller Flour Mills P Ltd which are engaged in similar line of business.

Analytical Approach

Acuite has considered the consolidated business and financial risk profiles of the GAFPL along with ANG Agro Foods Pvt Ltd, Anjaneya Roller Flour Mills Pvt Ltd, Coromandel Roller Flour Mills Pvt. Ltd, and Godavari Roller Flour Mills P Ltd to arrive at this rating due to similar line of business and common ownership and management.

Key rating drivers:

Strengths:

- **Experienced management**

Mr. Naveen Gupta looks after the business operations of the company and has around two decades of experience in the flour milling business. Mr. Naveen Gupta holds F.M. Tech at International School of Milling, Mysore and has been looking after procurement of Wheat, Milling and Marketing of the group entities. To further expand, the management is setting up a new flour milling unit and the same is expected to be operational by around April 2019. Acuite believes that GAFPL would benefit from the management's experience in setting up and operating flour mills.

- **Average financial risk profile**

The financial risk profile of the group is marked by moderate net worth, moderate gearing (debt-to-equity) and moderate debt protection metrics. The net worth is moderate at Rs.8.40 crore as on 31 March, 2018 as against Rs.7.96 crore in 31 March, 2017. Gearing is moderate at 1.22 times as of March 31, 2018 vis-à-vis 2.24 times as of March 31, 2017. The group's cash accruals are comfortable at about Rs.1.71 crores in FY2018, and the same are likely in the range of Rs.2 – 3 crores over the medium term; against which its repayment obligations are about Rs.1.4 crores. The debt protection metrics are moderate with interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) of 1.75 times and 0.10 times respectively for FY2018. GAFPL is setting up of flour mill at a project cost of Rs.13.21 crore at a debt-to-equity of 1.12:1. The project is funded out of term loan of Rs.7 crore, and balance out of promoter's capital and unsecured loans. Further, GAFPL is also proposing for a working capital limit of Rs.10.00 crore. As the company would start its operations in April 2019, and is capital intensive, the financial risk profile is expected to be at similar levels over the medium term.

- **Efficient Working Capital Requirements**

The group's operations are working capital efficient as evident from Gross Current Asset (GCA) days of 51 as on March 31, 2018. They offer a credit period of 30 days to its suppliers and maintains average inventory of 2 to 3 weeks. Acuite believes that with efficient collection mechanism and inventory management, the operations continue to be working capital intensive.

Weaknesses:

- **Exposure to intense competition in the highly-fragmented flour milling industry**

The group operates in an industry marked by many unorganised players in the market; and faces intense competition leading to pressure on price realisations and profitability. The intense competition will also limit the pricing flexibility of the company, restricting any significant growth in profit margins.

Outlook: Stable

Acuite believes that the outlook on group will remain stable over the medium term on account of the experience of the promoters in the flour milling business. The outlook may be revised to 'Positive' in case of early completion of the project and healthy cash accruals. Conversely, the outlook may be revised to 'Negative' in case of any significant delay or cost overrun leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Prov)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	125.39	105.11	64.70
EBITDA	Rs. Cr.	2.49	3.14	2.83
PAT	Rs. Cr.	0.44	0.75	0.58
EBITDA Margin	(%)	1.99	2.99	4.37
PAT Margin	(%)	0.35	0.71	0.90
ROCE	(%)	10.40	14.41	30.76
Total Debt/Tangible Net Worth	Times	1.22	2.24	1.21
PBDIT/Interest	Times	1.75	1.96	2.09
Total Debt/PBDIT	Times	3.53	4.84	2.63
Gross Current Assets (Days)	Days	51	82	74

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)

None

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE B/ Stable (Assigned)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE B/ Stable (Assigned)

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About Acuité Ratings & Research:

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