

Press Release

Gurudeo Exports Corporation Private Limited

January 11, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs.95.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.95.00 Cr. bank facilities of GURUDEO EXPORTS CORPORATION PRIVATE LIMITED (GECPL). The outlook is '**Stable**'.

Indore based Gurudeo Exports Corporation Private Limited (GECPL) was established as a proprietorship concern in 1997, later in 2012, the constitution was changed to private limited company. The company is currently promoted by Mr. Hemant Jain, Mr. Punit Jain and Mr. Suraj Jain. The company is engaged in trading of agro commodities such as Soyabean Meal, Rapeseed Meal, Castorseed Extraction, Groundnut Meal, Deoiled Rice Bran etc., and Grains like Wheat, Corn, Sorghum, Barley, and Indian Chick Peas. The company also export to Far-East/ South-East Middle-East Asia, SAARC Countries and are rapidly growing in other international markets also.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the GECPL to arrive at this rating.

Key Rating Drivers

Strengths

- Experienced Management**

Gurudeo Exports Corporation Private Limited (GECPL) was established as a proprietorship concern in 1997; later the constitution was changed as private limited in 2012. The company is engaged in trading of agro commodities such as Soyabean Meal, Rapeseed Meal, Castorseed Extraction, Groundnut Meal, Deoiled Rice Bran etc., and Grains like Wheat, Corn, Sorghum, Barley, and Indian Chick Peas. The company majorly exports to Middle East, SAARC countries among others. The company is promoted by Mr. Hemant Jain, Mr. Punit Jain and Mr. Suraj Jain. The promoters possess experience of over two decades in trading business. Acuite believes that company will benefit from its established position in the trading industry, experienced management and established relationships with customers and suppliers.

- Efficient Working capital**

GECPL's working capital is efficient marked by Gross Current Asset (GCA) days of 81 for FY2018 as against 71 in the previous year. The inventory and debtor days stood comfortable at 19 and 37 respectively for FY2018. Going ahead, the ability of the company to efficiently manage its working capital requirements will remain the key rating sensitivity.

- Healthy revenue growth**

GECPL has registered a healthy compounded annual growth rate (CAGR) of ~13 per cent during the last three years ended 31 March, 2018. The company reported ~19 per cent revenue growth in FY2018 as against ~26 per cent in the previous year on account of increase in sales to existing customers and increasing demand for its products. Revenue stood at Rs.563.82 crore for FY2018 as against Rs.473.55 crore in FY2017.

Weaknesses

- Moderate Financial Risk profile despite low net worth base and thin profitability**

The financial risk profile of GECPL is moderate marked by net worth (including quasi equity of Rs.2.02 crore) of Rs.21.69 crore as on 31 March, 2018 as against Rs.18.21 crore in the previous year (including quasi equity of Rs.1.44 crore). Gearing (debt-equity) stood at 3.67 times as on 31 March, 2018 as against 2.39 times as on 31 March 2017. The total debt of Rs.79.67 crore as on 31 March 2018 comprises of term loan of Rs.0.42 crore and Rs.79.24 crore of working capital facility from bank. Interest coverage ratio stood at 1.69 times for FY2018 as against 2.02 times for FY2017. Total outside liabilities to tangible net worth (TOL/TNW) stood at 5.61 times as on 31 March, 2018 as against 5.17 times in the previous year. Having said that the company is engaged in trading nature of business, the operating margins stood thin at 1.78 per cent for FY2018 as against 1.54 per cent for FY2017. The PAT margins stood at 0.51 per cent for FY2018 as against 0.54 times for FY2017. Acuite believes the company will maintain its moderate financial risk profile in absence of any major long term debt and moderate cash accrual.

- Operating in a highly fragmented agro commodity trading industry**

The agro-commodities industry is highly competitive with several organised as well as unorganised players and low entry barriers.

Outlook: Stable

Acuite believes that GECPL will continue to maintain 'Stable' outlook over the medium term from its promoters' industry experience. The outlook may be revised to 'Positive' if the company reports substantial increase in operating revenues while sustaining its margins and cash accruals. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital cycle leading to deterioration of its financial risk profile and liquidity profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	563.82	473.55	376.56
EBITDA	Rs. Cr.	10.06	7.28	6.08
PAT	Rs. Cr.	2.90	2.57	5.70
EBITDA Margin	(%)	1.78	1.54	1.61
PAT Margin	(%)	0.51	0.54	1.51
ROCE	(%)	13.27	11.77	32.93
Total Debt/Tangible Net Worth	Times	3.67	2.39	3.54
PBDIT/Interest	Times	1.69	2.02	3.53
Total Debt/PBDIT	Times	7.32	5.46	4.70
Gross Current Assets (Days)	Days	81	71	74

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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. Crore)	Ratings/Outlook
Export Packing Credit	Not Applicable	Not Applicable	Not Applicable	70.00	ACUITE BB+/Stable
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A4+

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About Acuite Ratings & Research:

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