

Press Release

Gurudeo Exports Corporation Private Limited

January 17, 2020



Rating Reaffirmed

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

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

Indore-based Gurudeo Exports Corporation Private Limited (GEPL) was established as a partnership concern in 1997 and later in 2012 the constitution was changed to private limited. The company is engaged in trading of agro commodities such as a Soyabean Meal, Rapeseed Meal, Castorseed Extraction, Groundnut Meal, Deoiled Rice Bran etc., and Grains like Wheat, Corn, Sorghum, Barley, and Indian Chick Peas. GEPL is also exporting to Far-East/ South-East Middle-East Asia and SAARC Countries.

Analytical Approach

Acuité has considered standalone business and financial risk profile of Gurudeo Exports Corporation Private Limited (GEPL) to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management and Long track record of operations**

Promoters of GEPL, Mr. Hemant Jain, Mr. Punit Jain and Mr. Suraj Jain, have extensive experience in the trading of agro commodities which has helped the company to register healthy revenue growth. Operating income grew at 28.97 percent in FY2019 over FY2018 and stood at Rs.727.57 crore in FY2019 as against Rs.564.57 crore in the previous year. Further having more than two decade of operational track record of operations has enabled the company to maintain strong relations with its customers as well as with its suppliers.

Acuité believes that the promoters' experience and healthy relations with its customers will continue to benefit company over the medium term.

- **Moderately working capital intensive nature of operations**

Operations of GEPL are moderately working capital intensive marked by Gross Current Assets (GCA) of 102 days in FY2019 as against 81 days in the previous year. This is on the account of debtors' collection period of 73 days in FY2019 as against 37 days in the previous year. On the other hand GEPL gets credit period of around 30-45 days from its suppliers. However, current ratio of the company stood average at 1.12 times as on 31 March, 2019 as against 1.15 times as on 31 March, 2018.

Weaknesses

- **Average Financial risk profile**

GEPL has average financial risk profile marked by average net worth, average debt protection metrics and high gearing. The net worth of the company stood at Rs.26.83 crore as on 31 March, 2019 as against Rs.21.11 crore as on 31 March, 2018. The gearing level (debt-equity) of the company stood at 3.31 times as on 31 March, 2019 as against 3.80 times as on 31 March, 2018. The total debt of Rs.88.83 crore as on 31 March, 2019 consist of long term debt of Rs.0.54 crore, working capital borrowings of Rs.87.32 crore and unsecured loans of Rs.0.97 crore. Debt to EBITDA stood high at 6.54 times in FY2019 as against 7.37 times in FY2018. Increase in finance cost has led to deterioration of coverage metrics marked by Interest coverage ratio (ICR), which stood at 1.57 times in FY2019 as against 1.69 times in FY2018. TOL/TNW (Total outside liabilities- total net worth) stood high at 7.16 times in FY2019 as against 5.80 times in FY2018.

• **Highly competitive and fragmented industry**

GEPL is engaged in trading of agro-commodities industry. The sector is marked by the presence of several mid to big size players. Company faces intense competition from the other player in the sectors. However, this risk is mitigated to an extent as the management has been operating in this environment for last two decades.

Key rating Sensitivity Factors

- Improvement in profitability
- Deterioration of working capital.
- Improvement in TOL/TNW and Debt- EBITDA

Material Covenants

Not Applicable

Liquidity Profile: Adequate

GEPL has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. It generated cash accruals of Rs.3.33 crore in FY2019 against Rs.0.10 crore of debt obligations for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.4.37 crore to Rs.6.79 crore during FY2020-22 against repayment obligations of Rs.0.10 crore for the same period. The company's working capital operations are moderately intensive marked by gross current asset (GCA) days of 102 days in FY2019. Company maintains unencumbered cash and bank balances of Rs.1.43 crore as on 31 March 2019. The current ratio stands average at 1.12 times as on 31 March 2019.

Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accruals against no major debt repayments over the medium term.

Outlook: Stable

Acuité believes that GEPL 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	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	727.57	564.13
PAT	Rs. Cr.	3.12	2.90
PAT Margin	(%)	0.43	0.51
Total Debt/Tangible NetWorth	Times	3.31	3.80
PBDIT/Interest	Times	1.57	1.69

Status of non-cooperation with previous CRA:

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Application of Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities- <https://www.acuite.in/view-rating-criteria-61.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
11-Jan-19	Export Packing Credit	Long Term	70.00	ACUITE BB+/Stable (Assigned)
	Letter of Credit	Short Term	25.00	ACUITE A4+ (Assigned)

*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 (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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