

Press Release

Gurudeo Exports Corporation Private Limited

March 18, 2021

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 125.00 crore* (Enhanced from Rs. 95.00 crore)
Long Term Rating	ACUITE BB+/ Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the 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. 125.00 crore bank facilities of Gurudeo Exports Corporation Private Limited (GECPL). The outlook is '**Stable**'.

Rationale for rating upgrade

The rating reaffirmation reflects established track record of operations, healthy growth in the scale of operations and working capital efficient nature of operations. On the contrary, the rating takes into account lean profitability margins and average financial risk profile.

GECPL's scale of operations continue to be at comfortable levels and has registered a healthy growth with total operating income of Rs. 902.34 crore in FY2020, resulting in a three-year CAGR of 26.83 per cent. Further, GECPL has reported an operating income of Rs. 393.24 crore during 10MFY2021. Profitability of the company however has decreased marked by an EBITDA margin of 1.09 per cent in FY2020 as against 1.86 per cent in FY2019. However, profitability for the company has shown improvement in the current year. Overall financial risk profile remained average with marginal improvement in gearing levels while at the same time registering marginal deterioration in the debt coverage indicators. Working capital operations continued to remain efficient while further improving to 61 days of GCA in FY2020 as against 102 days in the previous year due to low-year end balances. Cash accruals of the company have remained sufficient to service maturing debt obligations but provide limited cushion for incremental working capital operations and hence resulting in high fund-based limit utilization.

Analytical Approach

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

About the Company

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 currently led by Mr. Hemant Jain, Mr. Punit Jain and Mr. Suraj Jain. The company is engaged in trading of agro commodities such as a soya bean meal, rapeseed meal, castor seed extraction, groundnut meal, deoiled rice bran etc., and grains like wheat, corn, sorghum, barley, and Indian chickpeas. GECPL is also exporting to Far-East/ South-East Middle-East Asia and SAARC Countries.

Key Rating Drivers

Strengths

- Experienced management and Long track record of operations

The company is a trader of agro-commodities and the promoters of the GECPL have over two decades of experience in the aforementioned industry.

Due to the GECPL's established track record of operations and management experience, the company has booked the revenue of Rs. 902.34 crore in FY2020 as compared to Rs. 727.57 crore in FY2019 and Rs. 564.13 crore in FY2018. Further, GECPL has booked revenue of Rs. 393.24 crore during 10MFY2021. The company is expected to continue to leverage its well established relationships with reputed clients and suppliers.

Acuité believes that the company will continue to benefit from its established track record of operations and experienced management.

- **Working capital efficient nature of operations**

The company has efficient working capital operations as evident from gross current assets (GCA) of 61 days in FY2020 as compared to 102 days in FY2019. This improvement is on account of increase in low year-end inventory and debtor balances owing to covid-19 induced lockdown as the company does not have a long working capital cycle. Debtors' days stood at 40 days for FY2020 as against 73 days in the previous year, while inventory days stood at 5 days as against 9 days for FY2019. Creditors' payment period also increased to 15 days as on 31st March 2020.

On the contrary, despite efficient working capital cycle, the company has higher reliance on working capital borrowings due to low profitability margins. The working capital limits were utilized at an average of 95 to 99 per cent. Further, current ratio of the company stood at 1.18 times for FY2020.

Acuité expects the working capital operations of the company to remain efficient on account of the level of inventory to be maintained and the credit given to its customers.

Weaknesses

- **Average financial risk profile**

The financial risk profile of the company is average marked by low net worth, high gearing levels and average debt protection metrics.

The net worth of the company is low at Rs. 29.27 crore as on March 31, 2020. Further, the company has followed an aggressive financial policy in the past, the same is reflected through its peak gearing and total outside liabilities to tangible net worth (TOL/TNW) levels of 3.67 times and 6.88 times as on March 31, 2018 and March 31, 2019, respectively. The leverage levels however have improved to 3.02 times as on March 31, 2020 but remained primarily on account of high short-term borrowings.

The company has average debt coverage indicators, marked by debt-service-coverage-ratio of 1.24 times as on 31st March, 2020 as against 1.39 times as on 31st March, 2019 and interest coverage ratio of 1.36 times as on 31st March, 2020 as against 1.57 times as on 31st March, 2019. The moderation in debt coverage indicators is on account of decline in profitability.

Acuité believes that the financial risk profile of the company will continue to remain average on account due to lean profitability margins.

- **Highly competitive industry and susceptibility to raw material prices**

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.

Rating Sensitivity

Positive

- Substantial improvement in profitability margins

Negative

- Further deterioration in debt coverage indicators
- Deterioration in working capital management

Material Covenants

None

Liquidity: Adequate

The company has adequate liquidity profile marked by moderate net cash accruals to its maturing debt obligations but at the same time providing limited cushion to support its incremental working capital operations. The company has generated cash accruals of Rs. 1.85 crore for FY2020, while its maturing debt obligations were Rs. 0.11 crore during the same period. The company's working capital operations are efficient marked by Gross Current Asset (GCA) of 61 days for FY2020. The fund-based working capital limits were fully utilized at an average of 95 to 99 per cent till January 2021. In addition to this, the company has not availed covid-19 moratorium. The company has Rs. 1.31 crore of unencumbered cash and bank balances as on March 31, 2020. Acuite believes that the liquidity of the company will continue to remain adequate on the back of moderate cash accruals to maturing debt obligations over the medium term.

Outlook: Stable

Acuite believes that GECPL will maintain a 'Stable' outlook and will continue to derive benefit over the medium term due to its extensive experience of promoters, above-average financial risk profile and healthy revenue visibility bolstered by healthy order book position. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative' if the company generates lower-than-anticipated cash accruals, most likely as due to significant debt-funded capex or any significant withdrawal of capital, thereby impacting its financial risk profile, particularly its liquidity.

About the Rated Entity- Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	902.34	727.57
PAT	Rs. Cr.	1.64	3.12
PAT Margin	(%)	0.18	0.43
Total Debt/Tangible Net Worth	Times	3.02	3.16
PBDIT/Interest	Times	1.36	1.57

Status of non-cooperation with other CRA

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- 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/view-rating-criteria-55.htm>

Rating History (Up to previous three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
17-Jan-2020	Export Packing Credit	Long-term	70.00	ACUITE BB+/ Stable (Reaffirmed)
	Letter of Credit	Short-term	25.00	ACUITE A4+ (Reaffirmed)
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. Cr.)	Ratings/ Outlook
Export Packing Credit	Not Applicable	Not Applicable	Not Applicable	100.00 (enhanced from Rs. 75.00 crore)	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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