

Press Release

Gurudeo Exports Corporation Private Limited

June 16, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.00	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	25.00	-	ACUITE A4+ Reaffirmed
Bank Loan Ratings	31.00	ACUITE BB+ Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	156.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité 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**'.

Acuité has assigned long term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs. 31.00 crore bank facilities of Gurudeo Exports Corporation Private Limited (GECPL). The outlook is '**Stable**'.

Rationale for reaffirmation

The reaffirmation of rating takes into account experienced management, established track record of operations, revival in the topline of the company with topline increasing from 575.78 cr. in FY21 to 768.49 cr. in FY22 and improvement in profit margins. The aforementioned strength is underpinned by deterioration in working capital cycle of the company and slight moderation in financial risk profile.

About the Company

Indore-based Gurudeo Exports Corporation Private Limited (GEPL) was established as a proprietorship 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. Suvrat Jain. The company is engaged in trading of agro commodities such as soya bean meal, rapeseed meal, castor seed extraction, groundnut meal, deoiled rice bran etc., and grains like wheat, corn, rice, sorghum, barley, and Indian chickpeas. GECPL is also exporting to Far-East/ South-East Middle-East Asia and SAARC Countries.

Analytical Approach

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

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. 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.

>Improvement in topline and profitability position

Due to the GECPL's established track record of operations and management experience, the company has booked the revenue of Rs. 768.49 crore in FY2022 as compared to Rs. 575.85 crore in FY2021. Further the profitability margins of the company have improved on account of better price realization as is evident from the EBITDA margin of 3.00% in FY22 as against 2.02% in FY21. Further the PAT margin has also improved though marginally in FY22 and stood at 0.40% against 0.31% in FY21.

Weaknesses

> Financial Risk Profile

The team has observed marginal moderation in the overall financial risk profile of GECPL in FY2022 due to on-boarding of debt in the form of GECL. Net worth of the company stood at Rs. 33.10 crore as on March 31, 2022 as against Rs. 30.05 crore as on March 31, 2021. The net worth has seen marginal improvement in FY2022 on account of plough back of profit in the business. Further, there is an increase in total debt which stood at Rs. 125.01 crore, primarily consists short-term borrowings of Rs. 88.65 crore as on balance sheet date and long-term borrowings of Rs. 30.35 crore. Gearing levels continue to remain high at 3.78 times as on March 31, 2022 as against 3.98 times as on March 31, 2021. Debt coverage indicators remained low though have seen minuscule improvement marked by interest coverage ratio (ICR) of 1.44 times and debt-service-coverage-ratio (DSCR) of 1.30 times for FY2022 as against 1.28 times and 1.20 times, respectively for FY2021.

Going forward, the team is expecting the financial risk profile to moderate on account of higher repayment obligations and higher short-term borrowings. The DSCR of the company is expected to be around unity and USL of Rs. 2 Cr. each from promoter will bridge the GAP between CPLTD and NCA if any. However, debt protection metrics are highly dependent on profitability metrics and primarily on the prices of agri-commodities, which form major portion of total cost and remains a key monitorable.

> Working Capital Operations

GECPL has working capital intensive nature of operations and has observed deterioration as evident from gross current assets (GCA) of 153 days for FY2022 from 117 days for FY2021. The moderation is majorly because of higher year-end inventory. Further, current ratio of GECPL stood at 1.20 times for FY2022.

> Highly competitive industry and susceptibility to raw material prices

GECPL 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 Sensitivities

Positive

Significant improvement in revenue of the company while improving on the profitability front. Improvement in ICR and DSCR to be above 1.5 times.

Negative

Further deterioration in debt coverage indicators.

Deterioration in working capital management resulting into stretch in liquidity profile.

Material covenants

None.

Liquidity Position

Poor

GECPL has poor liquidity position with net cash accruals of Rs. 3.25 crore as against CPLTD of Rs. 5.15 Cr. in FY22. Further the company is expected to generate cash accruals of Rs. 9.78 & 9.64 Cr. against CPLTD of RS. 5.89 Cr. and Rs. 9.53 Cr. in FY23 and FY24 respectively. The company's current ratio stood at 1.20 times in FY22 with a cash and bank balance of Rs. 1.38 Cr. and investment of Rs. 5.29 Cr. The company's average CC limit utilization remained at 28.18% in past 8 months ending May 2022 giving sufficient short-term liquidity buffer.

Outlook: Stable

Acuité 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 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, or any significant withdrawal of capital, thereby impacting its financial risk profile, particularly its liquidity.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	768.49	575.85
PAT	Rs. Cr.	3.05	1.80
PAT Margin	(%)	0.40	0.31
Total Debt/Tangible Net Worth	Times	3.78	3.98
PBDIT/Interest	Times	1.44	1.28

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-52.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
18 Mar 2021	Packing Credit	Long Term	100.00	ACUITE BB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	25.00	ACUITE A4+ (Reaffirmed)
17 Jan 2020	Letter of Credit	Short Term	25.00	ACUITE A4+ (Reaffirmed)
	Packing Credit	Long Term	70.00	ACUITE BB+ Stable (Reaffirmed)
11 Jan 2019	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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A4+ Reaffirmed
Union Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE BB+ Stable Reaffirmed
Union Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	15.00	ACUITE BB+ Stable Assigned
Union Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	16.00	ACUITE BB+ Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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