

## Press Release

### MR Gupta and Company Private Limited

April 01, 2021



#### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs.61.85 Cr.
<b>Long Term Rating</b>	ACUITE BB/ Outlook:Stable (Assigned)
<b>Short Term Rating</b>	ACUITE A4+ (Assigned)

\* Refer Annexure for details

#### Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.61.85Cr bank facilities of MR GUPTA AND COMPANY PRIVATE LIMITED (MGCPL). The outlook is '**Stable**'.

MR Gupta and Company Private Limited was incorporated in the year 1992. It is a Delhi based company managed by Mr.Sachin Gupta and Mr.Avadesh Kumar Shukla. The company is the consignment sales partner for GAIL and BCPL. The company is also engaged in the trading of raw materials and polymer products such as HDPE, LDPE and PVC resins.

#### Analytical Approach

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

#### Key Rating Drivers

##### Strengths

- **Established track record of operations and experienced management**

Incorporated in the year 1992, MGCPL has a long track record of operation of more than two decades. The company is managed by Mr. Sachin Gupta and Mr.Avadesh Kumar Shukla having an experience of more than two decades in the aforementioned industry. The company is engaged as the consignment sales partner for GAIL and BCPL. The company is also engaged as the trader of polymer products like HDPE, LDPE and PVC resins. The extensive experience of the promoters and established track record of operation has helped the company to maintain healthy relationship with its customers and suppliers. On the back of stable and repeated orders from its customer, the operating income of the company has increased significantly by around 60.81 percent to Rs.246.45Cr in FY2020 from Rs.153.26Cr in FY2019. The company has registered revenue of Rs.177.32Cr (Est.) for 8M in FY2021.

Acuité believes that the company will benefit from its experienced management and long track of operation.

- **Moderate Financial Risk Profile**

MGCPL's financial risk profile is moderate marked by moderate net worth, high gearing coupled with moderate debt protection metrics and coverage indicators. The company's net worth stood at Rs.18.03Cr as on March 31, 2020 as against Rs.17.41Cr as on March 31, 2019. The net worth levels have seen improvement over the last three years through FY2020. This is on account of limited accretion to reserves over the period. The company has followed aggressive financial policy in the past which can be marked with peak gearing and total outside liabilities to tangible net worth (TOL/TNW) of 3.22 times and 3.62 times in FY2018. The gearing and total outside liabilities to tangible net worth (TOL/TNW) stood at around 2.99 times and 3.58 times respectively as on March 31, 2020 as against

3.08 times and 4.01 times respectively as on March 31, 2019. The company on the other hand generated cash accruals of Rs.0.65Cr in FY2020 as against Rs.0.49Cr in FY2019.

The revenue of the company has increased by around 60.81 percent to Rs.246.45Cr in FY2020 from Rs.153.26 Cr in FY2019. EBITDA in absolute term has fluctuated for the last three years under the study. EBITDA has declined to Rs.5.76Cr in FY2020 as against Rs.6.30Cr in FY2019. This is due to increase in the crude oil prices subsequently for which the prices of the polymers increased. However, this risk is mitigated to some extent since 80 percent of order is back to back. The PAT of the company has improved to Rs.0.61Cr in FY2020 as against Rs.0.46Cr in FY2019. This is due to increase in the non-operating income. The company charges an interest rate of around 12-15 percent to its customer when there is delay in the payment realization. In FY2020, the company generated around Rs1.03Cr as an interest income as against nil interest income in FY2019. The marginal increase in the profitability level, coupled with moderate debt level, has led to moderate debt protection measures. The NCA/TD and interest coverage ratio for FY2020 stands at 0.01 times and 1.14 times respectively. The debt service coverage ratio stood 1.10 times in FY2020 as against 1.08 times in FY2019. The Debt-EBITDA ratio stands at 7.62times in FY2020 against 8.21times in FY2019.

Acuite believes the financial risk profile of the group will continue to remain moderate on account of its healthy revenue growth, moderate cash accruals and no major debt funded capex in near to medium term.

### **Weaknesses**

- Working capital operation is intensive in nature**

MGCPL's working capital operation is moderately intensive in nature as it is reflected by its gross current asset (GCA) days of around 116 days in FY2020 as against 198 days in FY2019. The inventory holding period has declined to 6 days as on March 31, 2020 as against 13 days as on March 31, 2019. The debtor collection period has declined and stood at 105 days as on March 31, 2020 as against 180 days as on March 31, 2019. On the other hand the company's credit payment period stood at 13 days as on March 31, 2020 as against 38 days as on March 31, 2019. The average bank limit utilization stood moderately high at around 79.90 percent for six months ended November, 2020, while its peak utilization was high at around 99.78 percent during the same period.

Acuite expects the working capital management to remain moderately intensive over the medium term on account of high debtor collection.

- Decline in the profitability margins**

The profitability margin of the company has declined in FY2020 as against FY2019. The operating margin stood at 2.34 percent as against 4.11 percent in FY2019. The net profit margin stood thin at 0.25 percent in FY2020 as against 0.30 percent in FY2019. The fluctuation in the operating margin is due to the trading nature of the operation despite improvement in the scale of operation.

Acuite expects maintaining a stable profitability margin for the company will remain a key sensitive factor.

### **Liquidity Position: Adequate**

The company has adequate liquidity marked by moderate net cash accruals to nil maturing debt obligations. The company generated cash accruals of Rs.0.65Cr in FY2020, while its' maturing debt obligation were nil for the same period. The cash accrual of the company is estimated to remain around Rs.0.40Cr to Rs.1.80Cr during 2021-23 against no repayment obligations during the same period. The company's working capital operations is moderately intensive in nature marked by the gross current asset (GCA) days of 116 days in FY2020 as against 198 days in FY2019. The average bank limit utilization stood moderately high at around 79.90 per cent for six months ended November, 2020. The company maintains unencumbered cash and bank balances of Rs.0.04Cr as on 31 March 2020. The current ratio of the company has marginally improved to 1.21 times as on 31 March 2020 from 1.19 times as on March 31, 2019.

Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accruals to its nil maturing debt obligations.

### Rating Sensitivities

- Any elongation of working capital cycle leading to increased dependence on borrowings will be a key rating sensitivity
- Maintaining stable profitability margin along with sustained operating performance

### Outlook: Stable

Acuité believes that the company will maintain a stable outlook over the medium term backed by its experienced management, established track record of operation in the aforementioned industry and moderate financial risk profile. The outlook may be revised to 'Positive', if the company registers higher than expected growth in its revenue while improving its operating margins from its current levels along with efficient working capital management. Conversely, the outlook may be revised to "Negative", if the company registers lower than expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in the working cycle.

### About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	246.45	153.26
PAT	Rs. Cr.	0.61	0.46
PAT Margin	(%)	0.25	0.30
Total Debt/Tangible Net Worth	Times	2.99	3.08
PBDIT/Interest	Times	1.14	1.11

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

None

### Any other information

None

### Any Material Covenants

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- 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 (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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	19.75	ACUITE BB/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.55	ACUITE BB/Stable (Assigned)
Overdraft	Not Applicable	Not Applicable	Not Applicable	14.55	ACUITE BB/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE A4+ (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE A4+ (Assigned)

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### About Acuité Ratings & Research:

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