

**February 20, 2014**

Facilities	Amount (Rs. Crore)	Rating
<b>Letter of Credit</b>	<b>20.00</b>	<b>SMERA A4 (Assigned)</b>

SMERA has assigned a rating of '**SMERA A4**' (**read as SMERA A4**) to the Rs.20.00 crore bank facilities of Kunal Exports & Infrastructure (KEI), a GG Group entity. SMERA has taken a consolidated view on the GG Group to assign the rating. The consolidation is in view of the common management and strong operational linkages shared by the group entities.

KEI's rating is mainly constrained by the firm's weak financial profile and working capital-intensive operations. The rating is further constrained by the susceptibility of the group's profit margins to intense competition prevalent in the edible oil trading industry, volatility in edible oil prices and fluctuations in foreign exchange rates. However, the rating is supported by the group's experienced management, long-standing relationships with customers and suppliers and healthy net worth.

KEI, established in 2012, is a Punjab-based proprietorship firm engaged in trading of imported edible oils. KEI has a weak financial profile marked by negative net worth of Rs. (0.41)crore as on March 31, 2013 and low net profit margin of 0.49 per cent in FY2012-13 (refers to financial year, April 01 to March 31). KEI's operations are working capital-intensive. The firm's receivable period is stretched at around 425 days in FY2012-13. The GG Group faces intense competition from a large number of players in the unorganized sector of the edible oil trading industry. The group's profit margins are susceptible to volatility in edible oil prices and fluctuations in foreign exchange rates.

KEI benefits from its experienced management. Mr. Kunal Garg, proprietor of KEI, has around ten years of experience in the edible oil trading industry.

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## About the group

The GG Group (based in Bhathinda, Punjab) is engaged in trading of edible oils since 2009. The group's net worth stood at ~Rs.40.07 crore as on December 31, 2013.

## About the firm

KEI, established in 2012, is a Punjab-based proprietorship firm promoted by Mr. Kunal Garg. KEI is engaged in trading of edible oils.

For FY2011-12, KEI reported PAT of Rs.0.08 crore on operating income of Rs.120.25 crore, as compared with PAT of Rs.0.13 crore on operating income of Rs.26.88 crore for FY2012-13. KEI's net worth stood at Rs. -0.41 crore as on March 31, 2013, as compared with Rs.0.92 crore a year earlier.

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