



SMERA RATINGS LIMITED

H.A. Marketing & Services Private Limited (HMSPL)

*Rating
Rationale*

April 15, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	0.50	SMERA B/Stable (Assigned)
Letter of Credit	24.00	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA B**' (read as **SMERA single B**) and '**SMERA A4**' (read as **SMERA A four**) to the abovementioned bank facilities of H.A. Marketing & Services Private Limited (HMSPL). The outlook is '**Stable**'. HMSPL is a part of the GG Group. SMERA has taken a consolidated view on the GG Group to assign the rating. The consolidation is in view of the group's common management and strong operational linkages.

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

HMSPL, established in 2009, is a Punjab-based company engaged in trading of imported edible oils. HMSPL's weak financial profile is marked by high leverage of 5.11 times as on March 31, 2013 and weak net profit margin of 0.31 per cent in FY2012-13 (refers to financial year, April 01 to March 31). The company's operations are working capital-intensive, as reflected in stretched payables period of ~ 349 days in FY2012-13.

The GG Group faces intense competition from several players in the unorganized sector of the edible oil industry. The group's profit margins are susceptible to volatility in edible oil prices and fluctuations in foreign exchange rates.

HMSPL benefits from its experienced management. The company's promoters have around ten years of experience in the edible oil industry.

Outlook: Stable

SMERA believes HMSPL's outlook will remain stable in the near term. The company is likely to benefit from its experienced management. The outlook may be revised to 'Negative' in case the company registers lower-than-expected revenues, or in case of deterioration in the company's working capital cycle. Conversely, the outlook may be revised to 'Positive' in case the company registers high-than-expected revenues while achieving comfortable profit margins and efficient working capital management.

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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 company

HMSPL, established in 2012, is a Punjab-based company promoted by Mr. Ashok Garg and Mr. Mohit Garg. HMSPL is engaged in trading of edible oils.

For FY2011-12, HMSPL reported PAT of Rs.0.02 crore on operating income of Rs.1.27 crore, as compared with PAT of Rs.0.07 crore on operating income of Rs.23.47 crore for FY2012-13. HMSPL's net worth stood at Rs.0.29 crore as on March 31, 2013, as compared with Rs.0.17 crore a year earlier.

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