Rating Rationale

Gour Flour Mills (P) Ltd

16 May 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 8.60 Crores of Gour Flour Mills (P) Ltd.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based: Cash Credit	6.00	Long Term	BWR BB- (Pronounced as BWR Double B minus) Outlook: Stable
Non Fund Based: Bank Guarantee	2.60	Short Term	BWR A4 (Pronounced as BWR A Four)
Total	8.60	INR Eight Crore and Sixty Lakhs Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Ratings assigned:

Brickwork Ratings assigned the long term rating of 'BWR BB-' with "Outlook: Stable" and short term rating of 'BWR A4' to the bank loan facilities aggregating Rs. 8.60 Crores of Gour Flour Mills (P) Ltd, ('GFMPL', or 'the 'Company').

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials of FY18 and projections upto FY20, publicly available information and information/clarifications provided by the management of the company.

The ratings draw strength from key promoter's experience in flour mill industry and locational advantage of the plant. However, the rating is constrained by moderate scale of operations, volatility in product prices, Government regulatory changes and intense competition in the industry. Going forward, the ability of the Company to improve its scale of operations, to improve its profitability and to service its debt obligations on time would be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Locational Advantage:** The company is located in Malda cluster which is a major wheat growing area, resulting in logistic advantage. The entire raw material requirement is met locally from the farmers (or local agents) helping the company to save simultaneously on transportation and procurement cost.
- **Debt Protection Metrics:** DSCR and ISCR of the company stood at 2.63 and 1.45 respectively in FY 18 indicating company's adequacy to meet its debt obligations
- **Experienced Promoters:** The promoters of GFM have long experience in agro industry.Mr Jaydeb Saha has 30 years of experience in the same industry. He looks after the overall operations of the company since inception and is very well versed with the intricacies of the business.
- **Favourable Demand Prospects of the Product :** The demand prospects of the product will remain stable as the wheat and its products form the essentials of indian diet.

Credit Risks:

- **Regulatory Risk:** The prices of raw material are regulated by the government as it is an agricultural produce. Any volatility in existing regulatory framework/ environment may adversely affect the profitability of the company.
- **Competition in the Industry:** Entry barriers in the industry are low on account of limited capital and technology requirement and also low differentiation in the end product leading to intense competition and limiting the pricing power resulting in low profitability

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: *Stable*

BWR believes that **Gour Flour Mills (P) Ltd's** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company:

Gour Flour Mills (P) Limited was registered at Registrar of Companies- Kolkata and is categorised as a Company limited by Shares and an non-govt company. Established in 2001, the company is engaged in the manufacture of wheat products comprising maida, atta and bran and operates in Narayanpur village of Malda district in West Bengal. Mr. Joydeb Saha and Mr.Prabir Kumar Saha are the directors of the company who are actively involved in the overall operations and in looking after the day to day functioning of the company.

Company's Financial Performance :
As per the audited financials of FY 18, the Company has reported total operating income of Rs. 12.09 crores against Rs.16.34 crores in FY 17. The operating profit margin has improved from 3.20% in FY 17 to 4.76% in FY 18. Tangible Net Worth of the company stood at Rs. 5.19 crores in FY 18 as against Rs. 4.78 crores in FY 17.

Key Financial Indicators:

Key Parameters	**Units**	**2018**	**2017**
Result Type		**(Audited)**	**(Audited)**
Operating Revenue	₹ Cr	12.09	16.34
EBITDA	₹ Cr	0.58	0.52
PAT	₹ Cr	0.42	0.24
Tangible Net worth	₹ Cr	5.19	4.78
Total Debt/Tangible Net worth	Times	0.19	0.17
Current Ratio	Times	0.98	1.12

Rating History for the last three years

S.No	**Instrument/Facility**	**Current Rating(2019)**			**Rating History**		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
1.	**Fund Based**	Long Term	6.00	**BWR BB- (Pronounced as BWR Double B minus) Outlook : Stable**	**NA**	**NA**	**NA**
2.	**Non Fund Based**	Short Term	2.60	**BWR A4 (Pronounced as BWR A Four)**	**NA**	**NA**	**NA**
	Total		**8.60**	**₹ Eight Crore and Sixty Lakhs Only**			

Status of non-cooperation with previous CRA (if applicable)- CARE has moved the rating of Gour Flour Mills (P) Ltd. to "ISSUER NOT CO-OPERATING" category on 13-Jul-2018 due to non-submission of information.

Hyperlink/Reference to applicable Criteria

- [General Criteria]
- [Approach to Financial Ratios]
- [Short Term Debt]

For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.
BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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