Rating Rationale

Gagan Trexpo Pvt. Ltd.

18 July 2018

Brickwork Ratings assigns 'BWR B+/A4' for the Bank Loan Facilities of Rs. 20.00 Crs of Gagan Trexpo Pvt. Ltd. ('GTPL' or 'the Company')

Particulars

Facility*	Amount (Rs. Crs)	Tenure	Rating^
Fund Based Cash Credit	(5.00)#	Long Term	**BWR B+** *(Pronounced as BWR Single B Plus)* **(Outlook:Stable)**
Non-Fund Based ILC/FLC	20.00	Short Term	**BWR A4** *(Pronounced as BWR A Four)*
Total	**20.00 (INR Twenty Crores Only)**		

^ Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
*Annexure-I provides details of bank wise facilities ; #sub-limit of ILC/FLC

Rationale/Description of Key Rating Drivers/Rating sensitivities

BWR has essentially relied upon the audited financial results of the Firm upto FY17, publicly available information and information/clarifications provided by the management.

The ratings draw strength from the experienced promoters and established relationships with its customers and suppliers. The ratings, however, are constrained by the small scale of operations, below average credit risk profile marked by thin profitability, marginal debt coverage indicators, presence in a highly competitive and fragmented industry and working capital intensive nature of operations.

Going forward the ability of the Company, to increase its scale of operations, improve its overall credit risk profile and efficiently manage its working capital would be the key rating sensitivities.

Analytical approach

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

Key Rating drivers

Credit strengths

- **Experienced promoters and established relationships with customers and suppliers**

  The main promoter of GTPL, Mr. King Kakkar has experience of around three decades in trading of dry fruits. Over the years, he has established strong relationships with various customers and suppliers which result in repeat orders for GTPL.

Credit Weaknesses

- **Small scale of operations**
  GTPL's scale of operations is relatively small as it reported net sales of Rs.56.86 Crs in FY17, which was its first year of operation. In FY18, on a provisional basis, the Company has recorded sales of around Rs. 64 Crs.

- **Below average Credit risk profile marked by thin profitability and marginal debt coverage indicators**
  Due to trading nature of the business, GTPL's operating profit margin for FY17 was low at 1.05%. Consequently, its ISCR for FY17 was marginal at 1.09 times.

- **Presence in a highly competitive and fragmented industry**
  The Indian dry fruits market consist of a large number of small and mid-size players which exposes GTPL to intense competition and places pressure on its profitability.

- **Exposure to fluctuation in foreign exchange rate**
  GTPL is engaged in import and export of dry fruits, which exposes it to the risk of foreign exchange fluctuation. However, presently there is a natural hedge as the imports and exports value is almost similar.

Rating Outlook: Stable

BWR believes GTPL'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 margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

Company Background

Gagan Trexpo Pvt. Ltd (GTPL) is New Delhi based company promoted by Mr.King Kakkar for import and export of dry fruits. The Company started its operations in July 2016. Mr. Kakkar also operates a firm in the name of 'Riya Impex' since 2011, which is engaged in the similar line of business. GTPL supplies various dry fruits like raw Cashew Nuts, Areca Nuts and Almonds to its domestic customers located in New Delhi, Moradabad, Udupi and also exports to its clients in USA.
Exports contribute around 50% of GTPL's total sales. Mr. King Kakkar is the Managing Director of the Company.

Financial Performance

In 9MFY17, GTPL reported net sales of Rs.56.86 Crs and PAT of Rs.0.16 Crs. In FY18, on provisional basis, the Company has recorded net revenue of around Rs.64 Crs. .

Key financial indicators are furnished in Annexure II.

Rating History for the last three years:

Sl. No.	Facility	Current Rating (July 2018)			Rating History		
		Type	**Amount (Rs. Crs)**	**Rating**	**2017**	**2016**	**2015**
1	Cash Credit	Long Term	(5.00)	**BWR B+** (Outlook:Stable) **Assigned**	N/A	N/A	N/A
2	ILC/FLC	Short Term	20.00	**BWR A4 Assigned**			
	Total	**20.00**		**INR Twenty Crores only**			

Status of Non cooperation with other CRA : Not Applicable

Any other information : Not applicable

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Short Term Debt**
- **Trading Entities**

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Gagan Trexpo Pvt. Ltd.

Annexure I

Details of Rated Bank Facilities

Bank	Facilities	Amount (Rs. Crs)
State Bank of India, Netaji Subhash Place Branch, New Delhi	Cash Credit	(5.00)
	ILC/FLC	20.00
	Total	**20.00**

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Annexure II
Key Financial Indicators

Particulars		31/Mar/2017 (9M, Audited)
Net Revenue	(Rs. Cr)	56.86
EBITDA	(Rs. Cr)	0.60
PAT	(Rs. Cr)	0.16
Tangible Networth	(Rs. Cr)	9.56
Total Debt: TNW	(Times)	1.67
Current Ratio	(Times)	1.37

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

DISCLAIMER

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