



Rating Rationale

Gajanana Traders

20 Aug 2018

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 9.63 Crores of Gajanana Traders.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Month, Year)	Present
OCC Fund based	9.00	9.00	Long Term	BWR B+ BWR Single B Plus Outlook: Stable	BWR B+ BWR Single B Plus Outlook: Stable (Reaffirmed)
Term Loan Fund Based	-	0.63			
Bank Guarantee Non Fund Based	1.00	-	Short Term	BWR A4	Rating Withdrawn
Total	10.00	9.63	INR Nine Crores and Sixty Three Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results up to FY17, provisional financial statements of **Gajanana Traders** for FY18 and publicly available information and clarifications provided by the firm's management.

The rating draws strength from the business experience of the promoters, efficient working capital management and moderate debt servicing metrics. However, the rating is constrained by thin profitability margins, small scale of operations, exposure to intense competition due to large number of organised and unorganised players in the sector, susceptibility to risks arising from the volatility in raw material prices and the industry being highly regulated by the government.

Description of Key Rating Drivers



Credit Strengths:

Experienced promoters

The partners of the firm have over 10 years of business experience in the food processing industry. This has resulted in well established relationships with suppliers and customers.

Improving Revenue and partner's capital of the firm :

The firm observes a consistent growth in its revenue as indicated by the total operating income of Rs 16.25 Crs in FY17 as against Rs 8.97 Crs in FY16. In FY18 the firm estimates a total operating income of Rs 45.62 Crs. Partners Capital of the firm has improved from Rs 3.20 Crs in FY17 to Rs 3.54 Crs in FY18 (Provisional). However, the Partners capital of the firm remains low.

Average debt servicing metrics:

The firm has average debt servicing metrics as indicated by an ISCR (Interest Service Coverage Ratio) & DSCR (Debt Service Coverage Ratio) of 1.07x and 1.19 x respectively in FY17.

Credit Risks:

Thin profitability margins:

The firm has thin profitability margins as indicated by the net profit/ surplus margin of 0.25% in FY17 and 0.46% in FY16. In FY18 the firm estimates a profit margin of 0.47%, although the profit margins still remain low.

Stretched capital structure of the firm:

The firm has a stretched capital structure due to the high gearing levels as indicated by the Total debt to Tangible Net worth ratio of 2.68 times in FY17 as against 1.39 times in FY16.

Constitution Risk:

Gajanana Traders is a registered partnership firm. There exists the risk of withdrawal of partners capital from the firm affecting its capital levels and dependency on external borrowings.

Exposure to risk related to regulated nature of food processing industry:

The industry is highly fragmented and regulated by the government. The firm faces intense competition due to large number of organised and unorganised players in the market and susceptibility to risks arising from the volatility in raw material prices.

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 the **Gajanana Traders** 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 Firm

Gajanana Traders (GT) was established as a partnership firm in East Godavari district of Andhra Pradesh on 29th December, 2012. The partnership concern has a total of nine partners. They are involved in the business of milling of paddy and sale of boiled rice, rice and its bye products like broken rice, bran, rava, husk etc.

Firm's Financial Performance

Total operating income of the firm observes y-o-y growth. In FY17 the operating income of the firm amounted to Rs 16.25 Crs as against Rs 8.97 Crs in FY16. In FY18 the firm estimates a total operating income of Rs 45.62 Crs. However, the firm has low profitability margins as indicated by the net profit margin of 0.25 % in FY17. In FY18 (Provisional) the firm estimates a net profit/ surplus margin of 0.47%

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
1	Fund Based	Long Term	9.63	BWR B+ (Outlook : Stable) (Reaffirmed)	BWR B+ (Outlook:Stable)	-	-
2	Non Fund Based	Short Term	-	-	BWR A4	-	-
	Total		9.63	₹ Nine Crores and Sixty Three Lakhs Only			



Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type		Audited	Audited
Operating Revenue	Crs	16.25	8.97
EBITDA	Crs	0.65	0.28
PAT	Crs	0.04	0.04
Tangible Net worth	Crs	3.20	1.95
Total Debt/Tangible Net worth	Times	2.68	1.39
Current Ratio	Times	1.32	1.39

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
<i>Vipula Sharma</i> <i>DGM-Ratings</i>	media@brickworkratings.com
analyst@brickworkratings.com	Relationship Contact bd@brickworkratings.com
Phone: 1-860-425-2742	

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.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.

Annexure-I Details of Bank Facilities ₹ Crores

Name of the Bank	Name of Facility	Tenure	Present Limits
Andhra Bank	OCC	Long Term	9.00
	Term Loan		0.63*
INR Nine Crores and Sixty Three Lakhs Only			9.63

*Term Loan outstanding as on July 30, 2017 has been considered for the bank loan rating.