



Rating Rationale

Gupta Foods

14 June 2019

Brickwork Ratings assigns the ratings for the Bank Loan facilities of ₹ 7.70 Crores of Gupta Foods.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund Based			
Cash Credit	7.70	Long Term	BWR B+ (Pronounced as BWR B Plus) (Outlook: Stable)
Total	7.70	INR Seven crores and seventy Lakhs only	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon audited financials of Gupta Foods('The firm' or 'GF') up to FY18, projected financials upto FY20 , publicly available information and information/clarifications provided by the company's management.

The rating derives its strength from the promoters' experience along with expertise in the rice business. However, the rating continues to be constrained due to modest scale of operations, working capital intensive nature of operations, low profitability margins and industry characterized by competition from players in the unorganized as well as organized sectors.

Going forward, the firm's ability to increase the scale of operations, improve profit margins, efficient management of working capital, regulate conversion cycle and timely repayment of debt obligations remains the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

1. **Extensive experience of partners:** The partners have extensive experience of over 25 years in the rice industry. This has helped them in establishing a customer base as well as forging relations with local suppliers. Their experience has also helped them gain a sound understanding of the market dynamics.
2. **Debt coverage ratios:** ISCR & DSCR stands at 1.56x and 1.14x for FY18 and has shown improvement from 1.46x and 1.08x in FY17. The company has been successful in deleveraging its balance sheet.

Credit Risks:

1. **Working capital-intensive operations:** Operations are working capital intensive as indicated by conversion cycle of 161 days. Seasonal nature of business with competitive pricing leads to larger storage of inventory which has lead to higher inventory days.
2. Key financial ratios have deteriorated during the year as reflected in current ratio which was 1.65 in FY17 is 1.30 in FY18, conversion cycle in FY17 was 64 days but in FY18 is 161 days, TD\TNW in FY17 was 1.71 and in FY18 is 3.27.

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).

Liquidity Profile

The firm has no liquid investments and cash balances in FY18 is Rs. 0.01crs. Conversion Cycle stands at 161 days in FY18 which is generally considered as moderate considering the nature of industry having higher receivable day. There is a LTB of 2.08 cr which largely include unsecured loans and however, the company has not provided us with any cash flows for the same. The company has a DSCR of 1.14X & ISCR of 1.56X in FY18. Current ratio of the company stands at 1.30X in FY18. There are no subsidiary. Liquidity profile of the company is moderate with nature of the business line being the underlying factor. Imbalance in the payables and receivables will change the profile outlook.



Rating Outlook: Stable

BWR believes the **Gupta Foods** 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

Set up as a partnership firm in the year 2008 by Mr. Avinash Gupta, his brother Mr. Naveen and their wives Anita Gupta and Shruti Gupta. Gupta Foods mills and processes basmati and non basmati rice at its facility in Tarn Taran, Punjab. The total manufacturing capacity of the plant is of 4 TN\day while employing approx. 25 people.

Company Financial Performance

As per the Audited Financials of FY18 the company has reported a revenue of Rs.18.18 cr crs with a Net profit of Rs 0.34 crs vis-a-vis Rs 37.19 crs & Net profit of Rs. 0.28 crs in FY17.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	18.18	37.19
EBITDA	₹ Cr	1.42	1.49
PAT	₹ Cr	034	0.28
Tangible Net worth	₹ Cr	2.90	3.45
Total Debt/Tangible Net worth	Times	3.27	1.71
Current Ratio	Times	1.30	1.65



Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	2018	2017	2016
1.	Fund Based	Long term	7.70	BWR B+ (Pronounced as BWR B Plus) (Outlook : Stable)	NA	NA	NA
	Total		7.70	₹ Seven Crores and seventy lakh Only			

Status of non-cooperation with previous CRA - NA

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)



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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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