



Rating Rationale

Gurdas Exports

23 Dec 2019

Brickwork Ratings reaffirms the ratings for the bank loan facilities amounting to ₹ 84 Crores of Gurdas Exports or 'the Firm'

Particulars:

Facility#	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous^ (Dec, 2018)	Present
Fund based Cash Credit	1.00	1.00	Long Term	BWR BBB-/Stable	BWR BBB-/Stable (Reaffirmed)
Non Fund Based LC/FLC	83.00	83.00	Short Term	BWR A3	BWR A3 (Reaffirmed)
Total	84.00	84.00	INR Eighty Four Crores Only		

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

^BWR issued Rating Not Reviewed advisory on 09 December 2019 for the previous ratings.

#Complete details of Bank facilities is provided in Annexure-I

RATING ACTION

The reaffirmation of its ratings factor in increase in its turnover levels during FY19, promoters' experience with established track record in this sector and comfort drawn from its group support in terms of operational and financial synergies, besides satisfactory feedback from its existing lenders.

The ratings are, however, constrained by low profitability margins reported over the past three years besides severe deterioration in the firm's gearing profile in FY19. The firm's trade payables and trade receivables remained high as on 31 March 2019. Other risk factors related to risk exposure arising from volatility in commodity prices and regulatory changes besides highly competitive industry due to fragmentation, remains the same.

RATING OUTLOOK: Stable

BWR believes that the business risk profile of **Gurdas Exports** 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 turnover and profitability of the firm show sustained improvement. The rating outlook may be revised to 'Negative' if the turnover goes down and the margins show lower than expected figures.



KEY RATING DRIVERS

Credit Strengths:

Experienced promoters with established track record: The GG Group is promoted by Mr. Gurdas Garg and his son, Mr. Kunal Garg having over 15 years of experience in this trade. Both promoters look after the overall routine business affairs of the firm. Thus, the group benefits from the long term experience of the promoters in this sector.

Increase in turnover levels: The firm's turnover increased from Rs. 684.85 Cr in FY18 to Rs. 784.44 Cr in FY19. The firm increased turnover through the opening of sight FLCs by giving 100% cash margin. This enabled them to get additional margins, as it saved commission cost of opening usance LC's. All of its FLC exposure gets 100% hedged at the time of post sale.

Group Support: The firm is a part of the 'GG Group' based in Bathinda which provides business synergies and financial support. The group comprises businesses related to trading of edible and non-edible oils.

Credit Risks:

Low profitability margins reported: The firm's profitability margins remained low at less than 0.10% during FY19 as its turnover generated entirely through high-seas trading activity.

High trade payables reported: The firm's trade payables remain high at Rs. 282.55 Cr which resulted TOL/Total Capital to deteriorate as on 31.03.2019. Thus, any delays in realising their pending debtors will affect its liquidity position adversely over the medium term.

Deteriorated gearing profile: The firm's overall gearing ratio deteriorated to 16.07x in FY19, owing to high trade payables. The firm had availed a cash credit limit of Rs. 1 Cr (sanctioned amount) as on date. Total Capital of the firm remained moderate at Rs. 17.65 Cr as on 31.03.2019.

Exposure to risks arising from price fluctuations, forex risks, counterparty risks & regulatory changes: In case of high-seas or merchant trade, there is a time gap between imports and actual sales made which may lead to significant price fluctuation problems. The firm is also exposed to FX fluctuation risks, as it makes purchases in USD and sells it at INR prices in the domestic market. It has reported FX loss of Rs. 5.91 Cr in FY19 as against FX gain of Rs. 1.17 Cr in FY18. Further, counterparty risk can also arise as the firm deals with some customers located at Kandla port. In the event of these customers failing to take delivery or delay in making payments, the Group's receivable levels may increase significantly over the medium term.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has applied its rating methodology on a group approach basis, as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale). The financial performance of the group entities have been consolidated to arrive at the rating on account of having common business synergies and cash flow fungibility. Details of the Companies/Firms considered for arriving at the rating are given in Annexure II.



RATING SENSITIVITIES:

Positive: The rating may favor an upgrade in case the firm is able to increase its turnover levels significantly, improve its profitability margins to at least 1%, bring down its TOL/TNW to at least 1x, and recover its pending debtors over the medium term.

Negative: BWR may revise the rating downwards, if the firm is unable to achieve the aforesaid financial numbers.

LIQUIDITY POSITION:

Liquidity position of the firm is below average as it reported high trade payables during FY19. The unencumbered cash & cash equivalents remain low at Rs. 1.38 Cr (P.Y. Rs. 0.27 Cr) during FY19. The firm avails mainly LC's (Non Fund Based limits) for its operations with usance period of 180 days. The ability of the firm to recover its pending debtors and make funds available as and when FLC's gets due remains the key rating sensitivity.

ABOUT THE FIRM

Gurdas Exports is a part of GG Group, based out in Bathinda, Punjab. The firm is promoted by Mr. Gurdas Garg and his son Mr. Kunal Garg, who looks after the overall operations of the firm. The firm is engaged in the trading of non-edible and edible oil such as crude palm oil, soya bean oil, etc. by importing the same from overseas market and selling in the domestic market on a high seas trading basis

ABOUT THE GROUP

GG Group comprises 16 entities which are engaged in the same business activity of importing edible and non-edible oil and selling in the domestic market on a high seas trade basis. The said companies import goods via opening site LC's or usance LC and sell it to the common set of customers which are mainly located near the port. The GG Group has also acquired storage houses of 60000 MT capacity in Kandla, Gujarat from where it carries out its trading activities.

KEY FINANCIAL INDICATORS

Key Parameters	Units	2018	2019
Result Type		Audited	Audited
Operating Revenue	Rs. Crores	684.85	784.44
EBITDA	Rs. Crores	1.59	7.84
PAT	Rs. Crores	0.79	0.77
Total Capital	Rs. Crores	16.86	17.65
TOL/Total Capital	Times	3.55	16.07
ISCR	Times	2.05	6.91

Rating History for the last three years (Including withdrawn and suspended)

S.No	Facility	Current Rating			Rating History		
		Type	Amt (₹ Crs)	Rating	09 Dec 2019	06 Dec 2018	15 June 2017
1	Fund Based Cash Credit	Long Term	1.00	BWR BBB-/Stable (Reaffirmed)	Rating Not Reviewed Advisory	BWR BBB-/Stable (Reaffirmed)	BWR BBB-/Stable
2	Non Fund Based ILC/FLC	Short Term	83.00	BWR A3 (Reaffirmed)	Rating Not Reviewed Advisory	BWR A3 (Reaffirmed)	BWR A3
Total			84.00	₹ Eighty Four Crores Only			

Status of non-cooperation with previous CRA - N.A.

Any other information: Nil

#Annexure I

Details of Bank Facilities rated by BWR

S No.	Name of the Bank	Type of Facility	Long Term (Rs. Cr)	Short Term (Rs. Cr)	Total (Rs. Cr)
1	Punjab National Bank	Cash Credit	1.00	-	1.00
		ILC/FLC	-	43.00	43.00
2	UCO Bank	ILC/FLC	-	40.00	40.00
Total			1.00	83.00	84.00

Annexure II

S.No.	Companies/Firms under G.G. Group
1	G.K. Proteins Pvt. Ltd
2	Gurdas Agro Pvt. Ltd
3	G.G. Continental Trades Pvt. Ltd
4	G.K. Continental Trades Pvt. Ltd
5	G.G. Oils & Fats Pvt. Ltd

6	Kunal Exports & Infrastructure
7	Gurdas Exports
8	Vinayak Agro
9	Salasar Foods
10	GK Exim
11	J.J. Exports
12	Neeharika Oils
13	SSD Overseas
14	Shree Krishna Enterprises
15	Shree Balaji Exports
16	Sidhivinayak Exports

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Trading Entities](#)
- [Short Term Debt](#)
- [Ratings based on Group Support](#)

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