



RATING RATIONALE

12 Aug 2020

Gurudev Overseas Limited

Brickwork Ratings reaffirms the rating for the Bank Loan Facilities of ₹ 10.75 Crores of Gurudev Overseas Limited (GOL)

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Oct 2018)	Present
Fund Based	4.00	4.00	Long Term	BWR B+ Stable (Reaffirmed)	BWR B+ Stable (Reaffirmed)
Non-fund Based	7.50	6.75	Short Term	BWR A4 (Reaffirmed)	BWR A4 (Reaffirmed)
Total	11.50	10.75	INR Ten crores and Seventy Five Lakhs Only		

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

** Details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK : Stable

BWR has reaffirmed the rating at “BWR B+ Stable/BWR A4” for the bank loan facilities of GOL. The rating draws strength from the experienced promoters. However, the rating is constrained on account of modest scale of operations and COVID 19 impact.

The rating outlook has been assigned as "Stable" as BWR believes that GOL'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 there is improvement in revenues and profit levels. The rating outlook may be revised to 'Negative' if there is any deterioration in financial risk profile or liquidity issues.

KEY RATING DRIVERS

Credit Strengths:

- **Extensive experience of the promoters:** The promoters have a combined business experience of over 3 decades in the line of business. This helps them in negotiating better trading terms with their supplier and customers.



Credit Challenges

- **Modest scale of operations:** The entity reported an marginal increase in operating revenue of Rs 38.87 in FY 19 (Audited) vs Rs 37.11 crs in FY 18 (Audited). Profit After Tax for FY 19 (Audited) was reported at Rs 0.16 crs against Rs 0.17 crs in FY 18 (Audited). TNW for FY 19 (Audited) was Rs 4.27 crs against Rs 4.11 crs in FY 18 (Audited). Net Profit Margin was maintained at 0.40% in FY 19 as against 0.47% in FY 18.
- **COVID 19 impact:** The COVID 19 crisis has resulted in disturbance to business operations in the sector. During the lockdown procurement of raw materials was a major issue along with a very lean order flow. Achieving sales in FY 21 of the pre COVID levels shall be a major challenge for the entity.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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

RATING SENSITIVITIES

Going forward, the ability of the firm to improve its financial risk profile and maintaining adequate liquidity will remain the key rating sensitivities.

Positive: The rating may be upgraded if the company inter alia, is able to improve its topline, profitability margins or on account of any other favourable factor.

Negative: The rating may be downgraded if inter alia, there is any deterioration in financial risk profile, fails to maintain adequate liquidity or on account of any unforeseen unfavourable events.

LIQUIDITY POSITION : Adequate

There is no subsidiary/associate.

The entity has liquid investments in the form of FDR to the tune of Rs 1.59 crs, and cash balances in FY19 (Audited) is Rs. 0.89 crs. The Cash Credit Utilization from Dec-19 to June-20 stands at 90.25%. Conversion Cycle is at 10 days in FY19 (Audited). There is Long Term Borrowing which includes term loan from AXIS bank of Rs 0.08 crs and unsecured, interest free loans from directors of Rs 0.62 crs. These loans from related parties have no fixed repayment schedule. The entity has not provided us with the cash flows for the same. The company has a DSCR of 1.08x & ISCR of 1.06x in FY19 (Audited). Current ratio of the company stands at 1.38x in FY19 (Audited) .

COMPANY PROFILE

Gurudev Overseas Limited (GOL) engaged in trading of iron scrap and steel scrap. The Company was incorporated as a closely held public limited company on 27.01.1993 under the name of Sky High Foods Limited and its name was subsequently changed to Gurudev Overseas



Limited on 10.05.2001. GOL is promoted and managed by Mr Sanjay Choudhary & family, the company has its headquarters at Ludhiana, Punjab.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY 2019	FY 2018
Result Type		Audited	Audited
Total Operating Income	₹ Cr	38.87	37.11
EBITDA	₹ Cr	1.64	1.46
PAT	₹ Cr	0.16	0.17
Tangible Net Worth	₹ Cr	4.27	4.11
Total Debt/TNW	Times	1.03	0.85
Current Ratio	Time	1.38	1.33

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : Nil

RATING HISTORY FOR THE PAST THREE YEARS [including withdrawal and suspended]

Facilities	Current Rating			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	2019	2018	2017#
Fund Based	Long Term	4.00	BWR B+ Stable (Reaffirmed)	-	BWR B+ Stable (Reaffirmed)	BWR B+ Stable Issuer Not cooperating (Downgrade)
Non-fund Based	Short Term	6.75	BWR A4 (Reaffirmed)		BWR A4 (Reaffirmed)	BWR A4 Issuer Not cooperating (Reaffirmed)
Total		10.75	INR Ten crores and Seventy Five Lakhs Only			

Sept, 2013: BWR BB- Stable/BWR A4

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Services Sector](#)

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Gurudev Overseas Limited

ANNEXURE I

Details of Bank Facilities rated by BWR

Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
Allahabad Bank (now Indian Bank)	C/C	4.00	-	4.00
	L/C	-	6.75	6.75
TOTAL				10.75

INR Ten crores and Seventy Five Lakhs Only



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