



Rating Rationale

Gurukripa Conveyors

January 12th, 2018

Brickwork Ratings assigns rating for the Bank Loan Facilities amounting to Rs. 10.08 Crs of Gurukripa Conveyors

Particulars:

Facility	Amount (Rs. in Crores)	Tenure	Rating Assigned*
Fund Based Term Loan I	0.45	Long Term	BWR B (Pronounced as BWR Single B) Outlook: Stable Assigns
Fund Based Term Loan II	2.13		
Fund Based Cash Credit	5.00		
Non Fund Based BG	2.50	Short Term	BWR A4 (Pronounced as A Four) Assigns
Total	Rs 10.08 Cr (INR Ten Crores and Eight Lakhs only)		

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

Rationale/Rating Sensitivities:

BWR has principally relied upon the audited financial results(FY17), its financial projections for FY18, publicly available information and information/clarifications provided by the company.

The ratings is constrained by Gurukripa Conveyors (GC) modest scale of operations, stretched liquidity, moderate debt protection metrics & solvency profile because of weak capital structure. The rating is also restricted by risks associated with partnership constitution, raw material price volatility and poor asset turnover.

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However, the ratings draws strength from GC's experienced management & long track record of the partners in this industry. The rating further derives comfort from reputed client base of the firm and moderate net worth of the firm viz a viz its scale of operations.

Going forward, ability of the Firm to increase its scale of operations with sustained improvement in margins as well as acquiring new orders from clients shall be the key rating sensitivities.

Key Rating Drivers:

Strengths:

- **Experienced management & long track record in the business:** GC's partners are experienced and engaged in the business for last 13 years. They derive comfort from their experience, reputation, longstanding & established relationships with their suppliers & customers. One of the partners Mr Anil, is also the owner of sister companies like Anil Tyre-Shahpura and have extensive experience in running rubber based production units for last 28 years.
- **Reputed & diversified client base:** With companies like Steel Authority of India Ltd., Kirloskar Ferrous India Ltd., NLC India & Coal India ltd. on its client list, GC has diversified its customer base thereby mitigating its customer risk and counterparty credit risk.

Weakness:

- **Modest Scale of Operations & high working capital requirement:** GC's operations are seeing a decline in terms of revenue for last couple of years, reducing from Rs 9.36 crores in FY15 to Rs 7.17 crores in FY17. The GC also relies on the credit line provided by the bank to conduct its day to day operations, resulting in a stretched liquidity position. Unsecured loans have seen a surge from Rs 0.82 Crores in FY16 to Rs 3.93 Crores in FY17.
- **Low Net Margins resulting in poor debt protection metrics:** GC's high debt viz a viz its scale of operations results in weak net margins because of high interest costs. Its DSCR and ISCR stands at 0.75 and 0.56 respectively as on 31st March 17. The firm's low inventory turnover and high receivable days results in an elongated cash conversion cycle which may cause liquidity concerns in short term.

About the Company:



GC is a partnership concern with three partners of the Garg family. The firm was incorporated in 2005 under the guidance of its sister concern unit- M/s Anil Tyre-Shahpura which is the principal company engaged in manufacturing of rubber sheets, precured tread rubber since 1989. GC entered into the business of manufacturing & stocking rubber conveyor belts. It manufactures conveyor belts upto the width of 2000mm with compliance to ISO : 9001 standards & at the rate of 25000 mtrs per month. The partners have an experience of around 25 years in rubber technology. It has NLC India, Coal India, Hindustan Copper etc on its client list. Company's plant is located in RIICO Industrial Area Shahpura Rajasthan. It caters to the domestic market through 16-17 dealers and market its product under the brand name 'Firestone'.

Rating Outlook: Stable

BWR believes that GC'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 company is able to increase its scale of operations with better net margins. The rating outlook may be revised to 'Negative' if the revenues further decline and the financial risk profile is deteriorated further.

Financial Performance:

GC booked net receipts of Rs 7.17 Crores in FY17 as against Rs. 7.81 Crores in FY16. Net profit stood at Rs 0.05 Crores in FY17 as compared to Rs 0.02 Crores in FY16.

Parameters	FY 2016(A) (Rs. in Crores)	FY 2017(A) (Rs. in Crores)
Net Receipts	7.81	7.17
OPBDIT	0.36	0.49
PAT	0.02	0.05
Tangible Net Worth	2.98	3.11
Total Debt/TNW	2.79	3.64



Rating History for the last three years:

Facility	Rating Assigned at Present			Rating History		
	Amount (Rs. in Cr)	Tenure	Rating Assigned* 2018	FY17	FY16	FY15
Fund Based Term Loan I	0.45	Long Term	BWR B (Pronounced as BWR Single B) Outlook: Stable	NA	NA	NA
Fund Based Term Loan II	2.13					
Fund Based Cash Credit	5.00					
Non Fund Based BG	2.50	Short Term	BWR A4 (Pronounced as A Four)	NA	NA	NA
Total	Rs 10.08 Cr	(INR Ten Crores and Eight Lakhs only)				

Status of non-cooperation with previous CRA: NA

Hyperlink/Reference to Applicable Criteria:

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

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For print and digital media

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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, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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