

## Growthpath Solutions Private Limited (Revised)

May 02, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	6.00	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B+; Stable; (Single B Plus; Outlook: Stable)
<b>Total Bank Facilities</b>	<b>6.00 (Rs. Six Crore Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from Growthpath Solutions Private Limited (GSPL) to monitor the rating(s) vide e-mail communications/letters dated February 01, 2022, February 11, 2022, February 21, 2022 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on GSPL.'s bank facilities will now be denoted as **CARE B; Stable; ISSUER NOT COOPERATING\***.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s)**

The ratings have been revised on account of deterioration in scale of operations and moderation in the working capital cycle. Moreover, CARE doesn't not have complete information due to conduct appropriate credit risk assessment.

### Detailed description of the key rating drivers

At the time of last rating on March 18, 2022 the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies.):

### Key Rating Weaknesses

**Low profitability margins; leveraged capital structure and weak debt coverage indicators:** The profitability margins of the company remained low during the past three years (FY19-FY21) owing to the trading nature of the business and intense market competition given the highly fragmented nature of the industry. The PBIDT margin improved to 5.77% during FY21 (PY: 5.21%) on account of decrease in the cost of traded goods. However, the PAT margin decreased to 0.24% in FY21 (PY: 0.33%) owing to high interest charges. Overall gearing stood at 4.41x as on March 31, 2021 (PY: 4.15x) owing to increase in the total debt. Further, owing to high debt levels and low profitability position, debt coverage indicators as marked by interest coverage and total debt to GCA remained weak at 1.06x (PY: 1.09x) and 128.12x (PY: 81.17x) respectively for FY21.

**Elongated operating cycle:** The operating cycle of the company stood elongated at 160 days as on March 31, 2021 (PY: 150 days) on account of high average collection period days of 131 days as on March 31, 2021 (PY: 99 days). Being present in a highly competitive business and having low bargaining power with its customers, the company normally extends credit period of around 90 days to its customers. GSPL procures the traded products from its suppliers majorly on cash & advance basis with credit period of around 10- 15 days received from few suppliers.

**Highly fragmented nature of industry characterized by intense competition:** The spectrum of the trading industry in which the company operates is highly fragmented and competitive marked by the presence of numerous players. Hence, the players in the industry do not have any pricing power and are exposed to competition induced pressure on profitability. Moreover, the value addition is low on account of trading nature of business operations which further impacts the profitability margins.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### Project risk

The company has set up a wholly owned subsidiary named 'Century Growthpath Industries Private Limited' to manufacture Multilayer Packaging Grades of paper like Coated Duplex Board in Grey and White Back varieties. The total cost of the project is expected to be Rs. 162.87 cr which the company has proposed to fund through equity capital of Rs. 63.02 cr; term loans of Rs. 90.15 cr which is proposed to be repaid in 7 years including moratorium period of 21 Month from the date of Disbursement and working capital limits of Rs. 9.70 cr.

### Key Rating Strengths

**Experienced promoters:** GSPL's operations are currently being managed by Mr. Atul Jain and Mrs. Poonam Jain. Mr. Atul Jain is post graduate and has accumulated experience of more than two and half decades in agro industry through his association with this entity and other associates. He is ably supported by Mrs. Poonam Jain who has almost one decade of experience in agro industry through her association with this entity and other associates.

**Analytical approach:** Standalone

### Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)  
[Policy on default recognition](#)  
[Financial Ratios – Non financial Sector](#)  
[Liquidity Analysis of Non-financial sector entities](#)  
[Rating Outlook and Credit Watch](#)  
[Wholesale Trading](#)

### About the Company

Delhi based GSPL was incorporated in May, 2010. The company is currently managed by Mr. Atul Jain and Mrs. Poonam Jain. The company is engaged in the trading of paper and paper products like tissue, boards etc. During 2015, the promoters shifted the business from FMCG to paper and paper industry (i.e. paper, board and pulp including writing paper, printing paper, news printing paper, absorbent paper, wrapping paper, tissue paper etc. The company has an associate concern; "Shree Atulya Agro Private Limited" (SAA); engaged in the processing of agricultural products such as wheat flour, suji, maida, poha. Few years ago, the company was also engaged in trading of FMCG i.e. products like wheat, flour, maida, cookies, tea, oil etc. SAA was incorporated in January 2016 to which the FMCG business was shifted.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (UA)
Total operating income	34.94	31.93	NA
PBILD	1.82	1.84	NA
PAT	0.11	0.08	NA
Overall gearing (times)	4.15	4.41	NA
Interest coverage (times)	1.09	1.06	NA

**A: Audited, UA: Unaudited**

**Status of non-cooperation with previous CRA:** NA

**Any other information:** NA

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

### Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	6.00	CARE B; Stable; ISSUER NOT COOPERATING*

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	6.00	CARE B; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (18-Mar-21)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (26-Dec-19)

\* Long Term / Short Term

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities:** Not applicable

**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple

**Annexure 5: Bank Lender Details for this Company**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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**About CARE Ratings Limited:**

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careedge.in](http://www.careedge.in)**