

Gurukripa Parboiling

December 16, 2022

Rating

Facilities/Instruments	Amount (₹ crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	7.99	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE B+; Stable (Single B Plus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	7.99 (₹ Seven Crore and Ninety-Nine Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from Gurukripa Parboiling (GP) to monitor the rating vide e-mail communications dated August 09, 2022, September 05, 2022, October 03, 2022, November 02, 2022, November 07, 2022, December 01, 2022 among others and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the rating. 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 Gurukripa Parboiling's bank facilities will now be denoted as **CARE B; Stable; ISSUER NOT COOPERATING***.

The revision in rating assigned to the bank facilities of Gurukripa Parboiling (GP) is on account of non-availability of requisite information to conduct review. Further, the ratings take into consideration its moderate financial risk profile marked by thin profitability, leveraged capital structure, modest debt coverage indicators along with stretched liquidity during FY21 (Provisional; refers to the period April 1 to March 31). The rating is further constrained on account of its presence in a fragmented and government regulated agro processing industry, susceptibility of profit margin to prices of agro commodities and its constitution as a partnership firm.

The rating, however, continues to take comfort from its experienced partners, location advantage and eligibility for fiscal benefit. The rating also factors in its stabilization of operations.

Detailed description of the key rating drivers

At the time of last rating on PR dated November 30, 2021, the following were the rating strengths and weakness.

Key Rating weakness

Thin profitability

PBILDT margin declined by 399 bps over 7MFY20 operations and remained thin marked at 3.77% during FY21 mainly because of increase in raw material cost and power & fuel cost. Consequently, PAT margin has also dipped by 8bps and remained thin marked at 0.17% during FY21 as against 0.25% during 7MFY20.

Leveraged capital structure and modest debt coverage indicators

The capital structure of GPB continued to remain leveraged marked by an overall gearing ratio of 3.45 times as on March 31, 2021 as against 3.22 times as on March 31, 2020. The deterioration was mainly on account of increase in total debt led by increase in unsecured loan coupled with higher utilization of working capital borrowings as on balance sheet date. Consequently, with increase in total debt coupled with marginal decline in gross cash accruals, Debt coverage indicators have deteriorated and continue to remain modest marked by total debt to gross cash accruals of 16.33 times as on March 31, 2021 as against 7.99 times as on March 31, 2020. Further, interest coverage also declined and remained modest at 1.79 times during FY21 as against 2.36 times during 7MFY20. The deterioration was mainly on account of increase in interest & finance charges led by higher utilization of working capital borrowings.

Presence in fragmented and government regulated agro processing industry, susceptibility of margin with prices of agro commodities

The rice milling industry is characterized by limited value addition, highly fragmented and competitive in nature as evident by the presence of numerous unorganized and few organized players. The entry barriers in this industry are very low on account of low capital investment and technological requirement. Due to this, the players in the industry do not have any pricing power. Further, the industry is characterized by high degree of government control both in procurement and sales for rice. Government

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

of India (GoI) decides the Minimum Support Price (MSP) payable to farmers and also procures rice under the levy route from rice mills. The low net worth base makes its operations highly susceptible to any business shock, thereby limiting its ability to absorb losses or financial exigencies. As the firm is engaged in the business of trading and processing of agriculture commodities, the prices of agriculture commodities remain fluctuating and depend on production yield, demand of the commodities and vagaries of weather. Hence, profitability of the firm is exposed to vulnerability in prices of agriculture commodities

Constitution as partnership firm

GPB being a partnership firm is exposed to inherent risk of partners' capital being withdrawn in case of personal contingency and firm being dissolved upon the death/retirement/insolvency of key partners.

Key Rating Strengths**Experienced partners**

The partner of the firm is actively engaged in the operations. Mr Sunil Jain, partner has more than 25 years of experience in the rice industry looks after the overall affairs of GPB. He is further supported by other partners, Mr. Alok Jain and Mr Amit Jain having more than a decade of experience in the rice processing industry. Further, they are supported by a team of qualified and experienced employees in smooth functioning of the firm. Further, partners are also looks after management of Alok Rice Mill which is in same line of business since 1998.

Location advantage with eligibility for fiscal benefit

Rice Milling is the oldest and largest agro processing industry in the country and demand is expected to increase in coming years. The plant of GPB is located in Waraseoni, which is the biggest paddy mandi of Madhya Pradesh and thus its presence in the region results in benefit derived from cheap and easy availability of raw material and low transportation and storage cost. GPB being a direct purchaser of paddy from farmers is eligible for assistance under the scheme of small farmers Agribusiness Consortium (SFAC), New Delhi. This assistance is given for promotion of the agro based industries.

Stabilization of operations

As GPB has commenced its commercial operations from September 2019, FY21 was the first full year of the operations. The scale of operation increased significantly during FY21(Prov.) as a consequence of stabilization of operation during the year. GPB has registered total operating income of Rs.48.35crore during FY21 as against Rs.18.82crore during 7MFY20(A).

Liquidity: Stretched

The firm has availed fund-based facility from the bank which it utilizes for fulfilling its working capital requirement of business which remained 90% utilized on an average for the past 12 months ended October 31, 2021. GPB has cash and bank balance of Rs.0.04 crore as on March 31, 2021 (Rs.0.03 crore as on March 31, 2020). Further the moratorium benefit was availed by the firm for a period of six months from March 2020 to August 2020 for its bank facilities. However, the gross cash accruals also remained sufficient at Rs.0.77 crore during FY21 as against minimal debt repayment obligations of Rs.0.43crore during FY22. Moreover, Cash flow from operations (CFO) also turned positive and remained at Rs.5.83 crore during FY21 as against negative CFO of Rs.8.97 crore during FY20. Also, the operating cycle remained in line with previous year and remained comfortable at 36 days during FY21 as against 37 days during FY20.

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](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

About the Firm:

Madhya Pradesh based Gurukripa Parboiling (GPB) was formed in July, 2017 by Mr Sunil Jain, Mr Amit Jain and Ms Sapana Jain. GPB was formed with an aim to set up a rice mill with an installed capacity of 7 tonne per hour as on March 31, 2021. GPB has completed project for setting up rice mill having total cost of Rs. 12 crore and commenced commercial operation from September, 2019 onwards. Alok Rice Mill is an associate entity of GPB engaged into processing of non-basmati rice since 1996.

Brief Financials (Rs. crore)	31-03-2021 (Prov.)	31-03-2022 (A/Prov.)	H1FY23*(Prov.)
Total operating income	48.35	NA	NA
PBILDT	1.82	NA	NA
PAT	0.08	NA	NA
Overall gearing (times)	3.45	NA	NA
Interest coverage (times)	1.79	NA	NA

Prov.-Provisional; NA- Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Covenants of rated instrument / facility: Please refer Annexure-3

Complexity level of various instruments rated for this Firm: Please refer Annexure-4

Banker/Lender details of the Firm: Please refer Annexure 5

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	4.00	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	30/11/26	3.99	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 (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	3.99	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (30-Nov-21)	1)CARE B+; Stable (02-Sep-20)	1)CARE B+; Stable (26-Jun-19)
2	Fund-based - LT-Cash Credit	LT	4.00	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (30-Nov-21)	1)CARE B+; Stable (02-Sep-20)	1)CARE B+; Stable (26-Jun-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 Firm

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure 5: Bank Lender Details for this Firm

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:

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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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