



Press Release

Garden Court Distilleries Private Limited (GCDPL)

November 05, 2020

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term & Short Term Bank Facilities	100.00	IVR BBB- / Stable/ IVR A3 (IVR Triple B Minus with Stable Outlook / IVR A Three)	Assigned
Total	100.00 (One Hundred)		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to bank facilities of Garden Court Distilleries Private Limited factors Experienced Promoters, Moderate Financial Risk Profile and Government's Support To Sugar Industry By Way of Various Schemes and Incentives. However, rating is constrained on account of Exposure to Agro-Climatic Risks and Cyclical Trends in Sugar Business; Vulnerability to Government/Regulatory Policies, Intense Competition in Sugar Trading Business and Exposure to Geo-Political Risks.

Key Rating Sensitivities:

Upward Factors

- Improvement in profit margins and capital structure while maintaining working capital cycle on a sustained basis, could be positive for the rating.

Downward Factors

- A decline in the scale of operations or the EBITDA margin, leading to deterioration in the credit metrics and/or the liquidity, on a sustained basis, could be negative for the ratings.



Press Release

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters

Backed by two decades of experience in the sugar trading business, the promoters have established a strong distributorship network and healthy relationship with suppliers. This has assisted GCDPL to record steady growth and achieve turnover of over INR 1,200 crore.

Moderate Financial Risk Profile

In FY20, Company recorded overall gearing at 1.65x (FY19: 3.04x), total debt/GCA of 9.21 years (FY19: 17.19 years) and TOL/TNW of 2.00x (FY19: 3.68x). The company has comfortable Interest coverage ratio of 2.13x (FY19: 1.32x).

Government's Support to Sugar Industry by Way of Various Schemes and Incentives

The sugar industry continues to be supported by various Government measures such as exports subsidy of INR 10.44/kg, bailout package, cane subsidy, interest subvention, etc. The minimum support prices (MSP) for sugar was raised by the Government by Rs.2/kg in SY2020, which supported the company's realisations and profitability in FY2020. There is a proposal to further increase the MSP of sugar by another Rs.2/kg in the current sugar year, which may further support Company's revenue growth and profitability.

Key Rating Weaknesses

Exposure to Agro-Climatic Risks and Cyclical Trends in Sugar Business; Vulnerability to Government/Regulatory Policies

The company's profitability remains vulnerable to the cyclical nature of the sugar industry, agro-climatic risks related to cane production, and Government policies on import/export of sugar. Further, sugar prices are affected by prices of alternative crops, and cane offtake for alternative purposes such as manufacture of khandsari sugar and jaggery; consequently, impacting domestic sugar production and trading volume. Further, in the near term, Covid-19 could have some adverse impact on sugar off-take, which in turn may result in some pressure on sugar prices and traded volume.



Press Release

Intense Competition in Sugar Trading Business

The sugar trading industry is highly fragmented with presence of many organised and unorganised players due to low-entry barriers, which in turn exerts pricing pressure and keeps the margins under check. Limited value addition in trading activities, further restricts pricing flexibility.

Exposure to Geo-Political Risks

Around 80% of Company's exports are contributed by Bangladesh and Iran in FY20. High geographical concentration makes revenues and profitability vulnerable to demand fluctuations and geopolitical risks. Exports to Iran are in rupee payment terms with sight LCs which are permitted through UCO bank and IDBI bank. The risk is mitigated, as Company takes ECGC cover for all exports.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity – Adequate

GCDPL's liquidity is adequate as indicated by GCA of INR 18.45 Crore in FY20 as against negligible loan repayments. The average working capital limit utilization for past 12 months ending in September 2020 is at 40% indicating adequate cushion for working capital requirement. Company has not availed moratorium on working capital limits from its banker.

About the Company

Garden Court Distilleries Private Limited (GCDPL), incorporated in 1988, is promoted by Mr Bhagat Patil. Company is mainly involved in trading and export of sugar, with domestic customers, primarily being wholesale sugar merchants and State Governments for supply through their Public Distribution Network. Company's corporate office is located in Mumbai. Company also has 2 windmills located in the district of Satara and Sangli each, having



Press Release

capacity of 0.35MW and 1.25MW respectively. Power generation is mainly sold only to state electricity board of Maharashtra.

Financials (Standalone)*:

(In Crore)

For the year ended / As on	31-03-2018	31-03-2019	31-03-2020
	(Audited)	(Audited)	(Audited)
Total Operating Income	1011.74	1115.27	1248.76
EBITDA	14.78	15.30	32.67
PAT	6.25	14.44	18.35
Total Debt	60.62	257.79	169.94
Adjusted Tangible Net-Worth	70.33	84.76	103.11
Ratios			
EBITDA Margin (%)	1.46	1.37	2.62
PAT Margin (%)	0.62	1.27	1.46
Overall Gearing Ratio (x)	0.86	3.04	1.65

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit cum Packing Credit cum Post Shipment	Long & Short Term	100.00	IVR BBB- / Stable/ IVR A3	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Rating Analyst:



Press Release

Name: Ruchi Shah	Name: Prakash Kabra
Tel: (022) 62396023	Tel: (022) 62396023
Email: ruchi.shah@infomerics.com	Email: Prakash.kabra@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Size of Facility (Rs. Crore)	Maturity Date	Rating Assigned/ Outlook
Long Term & Short Term Facility – Fund Based – Cash Credit cum Packing Credit cum Post Shipment	100.00	N/A	IVR BBB- / Stable/ IVR A3