

Press Release

G.A. Randerian Private Limited

July 12, 2021

Rating Upgraded



Total Bank Facilities Rated*	Rs 25.00 Cr.
Long Term Rating	ACUITE A4 (Upgraded) *

* Refer Annexure for details

Rating Rationale

Acuite has upgraded the short term rating to '**ACUITE A4**' (read as **ACUITE A four**) from '**ACUITE D**' (read as **ACUITE D**) on the Rs.25.00 crore bank facilities of GA Randerian Private Limited (GARPL). The outlook is '**Stable**'.

The upgrade is on account of the timely payment of debt obligations by the company in the past six months ended March 2021. The rating on GARPL also takes into account its experienced management and long track record of operations, healthy gearing and comfortable debt protection metrics. These strengths are however, partly offset by its working capital intensity.

About the company

Incorporated in 1942, GARPL is a Kolkata-based company managed by Mr. Shakir Randerian and Ms. Afroze Randerian. GARPL is engaged in blending, branding, export of tea. It has a processing unit in Kidderpore, West Bengal. The company's main export markets include UAE, Saudi Arabia and USA.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of GARPL while arriving at the rating.

Key Rating Drivers

Strengths

• Extensive presence in the industry

SIL was established in 1995 and the promoters have more than two decades of experience in the tea industry. The day to day operations are looked after by the directors Mr. Shakir Randerian and Ms. Afroze Randerian. Acuite believes the established presence in the industry has enabled GARPL to develop a long standing relationship with its key customer Al Intisar General Trading Est and suppliers such as Sumran Agro Pvt Ltd (ACUITE BB/Stable) and Sumaran Projects Private limited and others which will continue to support the business risk profile over the medium term.

• Comfortable financial risk profile

The financial risk profile continues to remain comfortable on account of moderate albeit improving networth, low gearing and healthy debt protection measures. The net worth of the company stood at Rs.13.43 crores as on March 31, 2021 (Prov) against Rs.13.08 crores as on March 31, 2020. The company has followed a conservative financial policy as reflected from their gearing which stood at 0.75 times as on March 31, 2021 (Prov) against 0.76 times as on March 31, 2020. The total debt of Rs.10.08 crores as on March 31, 2021 (Prov) comprises of mainly short term debt of Rs.8.08 crores and long term debt of Rs.1.85 crores. The healthy debt protection measure is marked by Interest Coverage Ratio (ICR) at 2.92 times in FY2021 (Prov) as against 2.06 times in FY2020. The Total Outside Liabilities/Tangible net worth (TOL/TNW) stood at 1.80 times as on March 31, 2021 (Prov) compared to 2.52 times as on March 31, 2020. Acuite believes that the financial risk profile of company will continue to remain comfortable over the medium term on account of its steady accruals and conservative financial policy.

Weaknesses

• Working capital intensive operations

The working capital intensive nature of operations is marked by gross current asset (GCA) days of 496 days in FY2021 (prov) as against 338 days in previous year due to high inventory days of 346 days in in FY2021 (prov) compared to 248 days in FY2020. The high inventory requirement emanates from their increasing exposure to export markets and maintain inventory during the lean season. The minimum inventory holding period for their export markets is around four to five months. However, the debtor days stood low at 25 days in FY2021 (prov). Going forward, Acuité believes that the operations would remain working capital intensive mainly due to high inventory level over the medium term.

• Volatility in tea prices along with forex fluctuation risk

The prices of tea are linked to the auctioned prices, which in turn, are linked to prices of tea in the international market. Hence, significant price movement in the international tea market may affect SAPL's profitability margins. Further, tea prices fluctuate widely with demand-supply imbalances arising out of both domestic and international scenarios and also the tea prices have a strong linkage with agro-climatic conditions. Moreover, since a major part of revenue comes from exports; GARPL is exposed to high customer concentration risk with close to 90 per cent of revenue coming from a single customer i.e. Al Intisar General Trading Est, situated at Deira, United Arab Emirates, which is a trader supplying to Iran, UAE and other Middle East countries. Hence, the company has substantial exposure to foreign exchange fluctuation risk.

Rating Sensitivity

- Sustenance of financial risk profile
- Any further deterioration in the working capital metrics

Material Covenants

None

Liquidity Profile: Stretched

The company's liquidity is stretched marked by low unencumbered cash and bank balances of the company stood at Rs.0.12 crore as on March 31, 2020 as compared to Rs.0.10 crore as on March 31, 2019. The fund based limit remains utilised at 81 per cent over the six months ended March, 2021 and has availed covid loan of Rs.2.00 crores. However, GARPL has steady net cash accruals of Rs.0.67 crores in FY2021 as against long term debt repayment of Rs.0.15 crores in the previous year. The current ratio stood comfortable at 1.28 times as on March 31, 2020 as compared to 1.30 times as on March 31, 2019. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that GARPL's outlook will remain 'Stable' and the company will benefit over the medium term from its experienced management and comfortable financial risk profile. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues, profitability while maintaining their financial risk profile. The outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or higher than envisaged debt funded capex or further deterioration of working capital operations.

About the Rated Entity - Key Financials (Standalone)

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	45.27	18.71
PAT	Rs. Cr.	0.56	0.54
PAT Margin	(%)	1.24	2.88
Total Debt/Tangible Net Worth	Times	0.76	0.63
PBDIT/Interest	Times	2.92	2.06

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities – <https://www.acuite.in/view-rating-criteria-61.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount	Ratings/Outlook
			(Rs. Crore)	
24-May-2019	Packing Credit	Short Term	7.00	ACUITE D (Downgraded)
	Post Shipment Credit	Short Term	18.00	ACUITE D (Downgraded)
09-May-2018	Packing Credit	Short Term	7.00	ACUITE A4+ (Reaffirmed)
	Post Shipment Credit	Short Term	18.00	ACUITE A4+ (Reaffirmed)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
EPC	Not Applicable	Not Available	Not Available	10.00	ACUITE A4 (Upgraded)
PSC	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4 (Upgraded)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4 (Upgraded)

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About Acuité Ratings & Research

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