

Press Release

09 May, 2017

Gupta Rice Export

Rating Assigned

Total Bank Facilities Rated *	Rs.8.38 Cr
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 8.38 crore bank facilities of Gupta Rice Export. The outlook is '**Stable**'.

Gupta Rice Export (GRE) was established in 2013 as a proprietary concern by Mr. Mahendra Gupta. GRE is engaged in the processing and milling of non-basmati rice. The firm mainly procures paddy from local farmers and mandis and sells to traders and dealers after processing. The firm's products include rice, rice bran, broken rice which are sold in the domestic markets of Tamil Nadu, Karnataka and other states under the 'Kesari Kesar' and 'Chand aur Tara' brand names. The manufacturing facility is located at Chandrapur, Maharashtra with capacity of 12 tonnes per hour.

Key Rating Drivers

Strengths

- **Experienced management**

GRE was established in 2013. The promoter, Mr. Mahendra Gupta has more than two decades of experience in the said line of business. The firm benefits from its long term relations with clients and suppliers.

- **Proximity to rice growing areas**

The manufacturing facility of GRE is located at Chandrapur, Maharashtra which is in close proximity to raw material sources.

- **Efficient working capital management**

GRE has efficient working capital management marked by GCA (Gross Current Assets) of 98 days for FY2016 as against 73 for FY2015. This is on account of inventory days of 61 and debtor days of 37 for FY2016.

Weaknesses

- **Modest scale of operations**

GRE has modest scale of operations marked by operating income of Rs.20.89 cr for FY2016 as against Rs.17.66 cr for FY2015 and Rs.12.95 cr for FY2014. From April 2016 to February 2017, the firm achieved revenue of Rs.28.00 cr.

- **Average financial risk profile**

GRE has average financial risk profile marked by gearing of 2.36 times as on 31st March, 2016 as compared to 1.49 times as on 31st March, 2015. The total debt mainly consists of working capital borrowings. The ICR (Interest Coverage Ratio) stood at 1.74 times in FY2016 as against 2.23 times in FY2015. The tangible net worth stood at Rs.1.95 cr as on 31 March, 2016.

- **Agro climatic risks**

Paddy, the main raw material required for rice is a seasonal crop and production of the same is highly dependent upon the monsoon. Thus, inadequate rainfall may affect the availability of paddy in adverse weather conditions.

- **Competitive and fragmented industry**

Rice is a highly competitive industry due to low entry barriers. GRE faces competition intense competition from both the organised as well as unorganised players in the rice milling industry.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of GRE.

Outlook: Stable

SMERA believes that GRE will maintain a stable outlook in the medium term on the back of its experienced management. The outlook may be revised to 'Positive' if the firm achieves more than expected revenue while improving profit margins and capital structure. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues, profitability or deterioration in the capital structure owing to higher than envisaged working capital requirements.

About the Rated Entity - Key Financials

The firm reported profit after tax (PAT) of Rs. 0.09 cr on net sales of Rs. 20.89 cr in FY2016 as against PAT of Rs.0.10 cr on net sales of Rs.17.66 cr in FY2015. The net worth stood at Rs.1.95 cr as on March 31, 2016 as against Rs.1.76 cr as on March 31, 2015.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	1-Mar-2018	0.38	SMERA B+ / Stable
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4

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ABOUT SMERA

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