

Press Release

Gupta Rice Export

June 20, 2018



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) and short term rating of '**ACUITE A4**' (**read as ACUITE 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 customers and suppliers.

- **Proximity to rice growing areas**

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

Weaknesses

- **Below average financial risk profile**

GRE has below average financial risk profile marked by gearing of 6.20 times as on 31 March, 2017 as compared to 2.36 times as on 31 March, 2016. The total debt mainly consists of working capital borrowings and interest bearing unsecured loans from relatives. The ICR (Interest Coverage Ratio) stood at 1.99 times in FY2017 as against 1.74 times in FY2016. The tangible net worth stood at Rs.1.47 crore as on 31 March, 2017 as against Rs.1.95 crore 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 intense competition from both the organised as well as unorganised players in the rice milling industry.

Analytical Approach

Acuité has considered standalone and financial risk profile of GRE to arrive at the rating.

Outlook: Stable

Acuité 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

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	30.27	20.89	17.66
EBITDA	Rs. Cr.	0.66	0.68	0.60
PAT	Rs. Cr.	0.15	0.09	0.10
EBITDA Margin	(%)	2.17	3.24	3.38
PAT Margin	(%)	0.50	0.41	0.55
ROCE	(%)	5.60	8.68	16.70
Total Debt/Tangible Net Worth	Times	6.20	2.36	1.49
PBDIT/Interest	Times	1.99	1.74	2.23
Total Debt/PBDIT	Times	13.93	6.78	4.38
Gross Current Assets (Days)	Days	122	104	74

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Up to last three years)

Date	Name of the Instrument/ Facilities	Term	Amount (Rs. crore)	Ratings/ outlook
09- May- 2017	Cash Credit	LT	7.00	ACUITE B+ / Stable (Assigned)
	Term loan	LT	0.38	ACUITE B+ / Stable (Assigned)
	FBN/ FBP/ FBD/ PSFC/ FBE	ST	1.00	ACUITE A4 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE B+ / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	1-Mar-2018	0.08	ACUITE B+ / Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.30	ACUITE A4 (Reaffirmed)

*sublimit of CC for Rs. 1.00 crore for foreign bill discounting.

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About Acuité Ratings & Research:

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