

Press Release

Gopal Rice Mills

June 27, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 25.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) on the Rs. 25.00 crore bank facilities of Gopal Rice Mills. The outlook is '**Stable**'.

Gopal Rice Mills (GRM) was established as a partnership firm by Mr. Vinod Kumar, Mrs. Usha Rani, Mr. Shashi Bhusan and Mr. Gourav Singla. The firm is engaged in the milling and processing of basmati and non-basmati rice at Karnal, Haryana and has installed capacity of 7 metric tons per hour.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

GRM was established in 1999. The promoters possess experience of almost two decades in the business which has helped develop long term relations with customers and suppliers.

- **Moderate financial risk profile**

The moderate financial risk profile is marked by networth of Rs.19.21 crore as on 31 March, 2017 (Provisional) supported by unsecured loan of Rs.6.97 crore treated as quasi equity in FY2017. SMERA has treated the unsecured loans as quasi equity as the amount is subordinated to bank debt. The interest coverage of the firm stood at 1.23 times in FY2017 (Provisional) as against 1.12 times in the previous year. The net cash accrual by total debt (NCA/TD) stood at 0.03 percent in FY2017 (Provisional) compared to 0.01 percent in FY2016. The gearing stood at a moderate 1.18 times in FY2017 (Provisional) on account of networth of Rs.19.21 crore compared to total debt of Rs.22.61 crore in FY2016-17. The total debt includes working capital facility of Rs. 22.61 crore. SMERA expects the firm to continue its moderate risk profile in the medium term. Further the firm's ability to improve its net worth along with debt protection metrics will remain key credit monitorables.

Weaknesses

- **Intense competition**

The firm operates in a highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganised sector limits its bargaining power with customers.

- **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 under adverse weather conditions.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm to arrive at the rating.

Outlook: Stable

SMERA believes that the firm will maintain a stable outlook owing to the extensive experience of the management in the rice milling business. The outlook may be revised to 'Positive' if the firm achieves higher than the projected growth in revenues and profitability or improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile due to debt-funded capex.

About the Rated Entity - Key Financials

For FY2016-17, GRM reported Profit after Tax (PAT) of Rs.0.37 crore on operating income of Rs.112.69 crore compared with PAT of Rs.0.10 crore on operating income of Rs.112.76 crore for FY2015-16. The net worth stood at Rs.19.21 crore as on 31 March, 2017 (Provisional) as against Rs.13.33 crore a year earlier. The net worth of Rs.19.21 crore in FY2017 (Provisional) includes quasi equity of Rs.6.97 crore.

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	25.00	SMERA BB- / Stable

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