

Press Release

Grm Foods Private Limited

July 11, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 35.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 35.00 crore bank facilities of Grm Foods Private Limited. The outlook is '**Stable**'.

The Haryana-based GRM Foods Private Limited (GRM Foods) was established in 1972 by Mr. Dhanpatrai, Mr. Barumal and Mr. Mangeram. The company is engaged in the milling and trading of basmati rice and has capacity of 10 tonnes per hour. The company procures paddy directly from local mandis and farmers in Haryana, Uttar Pradesh and sells in Delhi, Uttar Pradesh, Madhya Pradesh, Rajasthan to clients including R.L. Enterprises, Savla Agro Foods Private Limited among others.

Key Rating Drivers

Strengths

- **Experienced management**

The Directors, Mr. Pradeep Garg and Mrs. Neeraj Bala have experience of more than two decades in the business which has helped establish comfortable relationships with customers and suppliers.

- **Steady profit margin**

The company has reported steady margins in the past three years ended FY2016-17 ranging between 4.90 per cent to 5.45 per cent. The profitability margin declined marginally in FY2016-17 (Provisional) as compared to the previous year on account of increase in selling and administrative costs. Further, the net margin has marginally improved to 1.08 percent in FY2016-17 (Provisional) from 0.90 percent in FY2015-16.

Weaknesses

- **Moderate financial risk profile**

The moderate financial risk profile marked by modest network, high gearing and moderate debt protection metrics. The network stood at Rs.13.83 crore as on 31 March, 2017 (Provisional) as against Rs.9.68 crore as on 31 March, 2016. The network includes unsecured loans from promoters to the tune of Rs. 4.93 crore as on 31 March, 2017 (Provisional) which is subordinated to bank debt and treated as quasi equity by SMERA. The gearing stands high at 3.96 times as on 31st March 2017 (Prov) as compared to 3.83 times in the previous year. The total debt of the company stands at Rs.54.71 crore and includes long term debt of Rs.3.34 crore and short term working capital loan of Rs.54.51 crore. The moderate debt protection metrics is marked by interest coverage ratio of 1.69 times and net cash accrual to total debt (NCA/TD) of 0.04 times in FY2016-17 (Provisional) as compared to interest coverage ratio of 1.58 times and NCA/TD of 0.05 times in FY2015-16. Further the Debt Service Coverage Ratio (DSCR) of the company has been moderate at 1.29 times in FY2016-17 (Provisional) as compared to 1.23 times in FY2015-16. SMERA expects the financial risk profile of

the company to remain at current levels over the medium term backed by steady accruals in the absence of major capex plans.

• **Working capital intensive operations**

The working capital intensive operations are marked by high gross current asset (GCA) days of 199 in FY2017 (Provisional) compared to 191 in FY2016. The high GCA days is evident from the high inventory days of 157 in FY2017 (Provisional) compared to 137 days in FY2016. The company maintains high inventory of paddy during the lean season. The debtor days stood comfortable at 22 days in FY2016-17 (Provisional) compared to 28 days in FY2015-16.

• **Agro climatic risks**

Paddy, the main raw material required for rice milling 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.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of GRM Foods.

Outlook: Stable

SMERA believes that the company will maintain a stable outlook on the back of its experienced management in the rice milling business. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while maintaining profitability levels. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in gearing levels or elongation of the working capital cycle.

About the Rated Entity - Key Financials

In FY2016-17 (Provisional) the company achieved operating income of Rs.137.97 crore with Profit After Tax (PAT) of 1.48 crore compared to operating income of Rs. 125.66 crore with PAT of 1.13 crore a year earlier. The networth stood at Rs.13.83 crore as on 31 March, 2017 (Provisional) as against Rs.9.68 crore a year earlier. The networth of Rs.13.83 crore in 31 March, 2017 (Provisional) includes quasi equity of Rs. 4.93 crore.

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

CRISIL has suspended its ratings on the bank facilities of Ganesh Rice Mills as on June 30, 2014. The suspension of ratings is on account of non-cooperation by GRM with CRISIL's efforts to undertake a review of the ratings outstanding. Despite repeated requests by CRISIL, GRM is yet to provide adequate information to enable CRISIL to assess GRM's ability to service its debt. The suspension reflects CRISIL's inability to maintain a valid rating in the absence of adequate information. CRISIL views information availability risk as a key factor in its assessment of credit risk.

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

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A4+
Term loans	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BB / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	22.00	SMERA BB / Stable

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ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

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