

Press Release

24 August, 2017



Green House Agro Products

Rating Assigned

Total Bank Facilities Rated *	Rs.39.23 cr.
Long Term Rating	SMERA BB-/Outlook: Stable
Short Term Rating	SMERA A4+

Refer Annexure for details

SMERA has assigned long -term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 39.23 crore bank facilities of Green House Agro Products. The outlook is '**Stable**'.

Green House Agro Products (GHAP) is an Andhra Pradesh based-partnership firm established in 2014 by Mr Reddy and family. The firm is engaged in the processing and export of shrimp and has installed capacity of 40 tonnes per day with cold storage facility of 1000 tonnes.

Key Rating Drivers

Strengths

- Experienced management**

The firm is led by four partners - Mr. O Santosh Reddy, Mr. Laxmi Narasimha Reddy, Mr. O Krishna Reddy and Mr. A S Ashok Kumar who possess extensive experience in the shrimp business. The family possesses substantial experience in the construction business and has executed contracts for PWD and NTPC for 20 years.

- Geographical diversification**

GHAP is engaged in the export of shrimp (Vannemai) to China, Vietnam, Middle East and Europe. The firm has been exporting around 70 per cent of its products to China and Vietnam, around 25 per cent to the Middle East and the balance to European countries like Germany and Netherland.

- Healthy revenue visibility**

The firm clocked revenue of Rs 36.20 crore in FY2016-17 (Provisional) and registered revenue of Rs 50 crore till July' 2017. GHAP has orders in hand of ~ Rs 12.65 crore likely to be executed in the next 30 days. Going forward, the revenue is likely to increase as approvals for export to USA are expected by August, 2017.

Significant capex funding

GHAP has incurred significant capex of Rs 28.34 crore through capital infusion of Rs 5.40 crore, unsecured loans of Rs 4.94 crore, grant from Andhra Pradesh Food Processing Society of Rs 5 crore and term loan of Rs 13 crore. The firm does not have any capex plans for the medium term.

Weaknesses

- **Nascent stage of operations**

The operations are at a nascent stage with shrimp processing and exports contributing over 90 per cent of revenue.

- **Susceptibility to risks inherent in the seafood industry**

The firm remains vulnerable to the inherent risks in the seafood industry such as susceptibility to diseases, climate changes and adverse changes in government policies.

- **Susceptibility of profit margins to fluctuations in forex rates**

The profit margins are susceptible to fluctuations in forex rates. The firm has availed derivative exposure of Rs 2 crore to hedge its exchange rate fluctuations.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profile of GHAP.

Outlook: Stable

SMERA believes that GHAP will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues while sustaining profit margins. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the projected revenues, fall in margins or deterioration in the financial risk profile owing to higher working capital requirements.

About the Rated Entity - Key Financials

For FY2017 (Provisional), GHAP reported Profit after Tax (PAT) of Rs.0.86 crore on total operating income of Rs.36.20 crore compared to PAT of Rs 0.12 crore on total operating income of Rs.2.59 crore in FY2016.

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. Crore)	Ratings/Outlook
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	21.00	SMERA A4+
Term Loans	Not Applicable	Not Applicable	30-June 2024	13.00	SMERA BB-/Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	4.98	SMERA BB-/Stable
Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.25	SMERA A4+

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ABOUT SMERA

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