

Press Release

GRM Overseas Limited (GOL)

24 October, 2017



Ratings Reaffirmed

Total Bank Facilities Rated*	Rs.220.00 Crore
Long Term Rating	SMERA BBB-/Stable (Reaffirmed)
Short Term Rating	SMERA A3 (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BBB- (read as SMERA triple B minus)**' and short term rating of '**SMERA A3 (read as SMERA A three)**' on the Rs.23.00 crore bank facilities of GRM Overseas Limited (GOL). Further, SMERA has also assigned long-term rating of '**SMERA BBB- (read as SMERA triple B minus)**' and short term rating of '**SMERA A3 (read as SMERA A three)**' on the Rs.197.00 crore bank facilities. The outlook is '**Stable**'.

GRM Overseas Limited (GOL), incorporated in 1994 as a private limited company by Mr. H.C. Garg and his son, Mr. Rohit Garg was converted to public limited in 1995. The company is engaged in the milling and processing of basmati rice at Panipat, Haryana with installed capacity of 800 metric tons per hour. The company procures raw material i.e. paddy from the local market and exports the same to Iran, Iraq, Middle East among others.

List of key rating drivers and their detailed description

Strengths:

Experienced promoters and long track record of operations: Incorporated in 1994, GOL has long track record of operations. The promoters, Mr. H.C. Garg and Mr. Rohit Garg have experience of over two decades in the rice industry. This has helped develop long term relations with customers and suppliers.

Above average financial risk profile: The financial risk profile is marked by healthy net worth, modest gearing and comfortable debt protection measures. The net worth levels stood at around Rs.87.61 crore on 31 March, 2017 as against Rs.75.89 crore on 31 March, 2016. The net worth includes unsecured loans of Rs.47.48 crore as on 31 March, 2017, compared to Rs.41.36 crore in the previous year from promoters which are subordinated to bank debt. Hence, SMERA has treated them as quasi equity. The gearing stood at a moderate 1.72 times as on 31 March, 2017 as against 1.20 times in the previous year. The moderate gearing is on account of healthy networth of Rs.87.61 crore as against total debt of Rs.150.56 crore in FY2016-17. The total debt includes term loan of Rs. 0.94 crore and working capital limit of ~ Rs 149.62 crore. The interest coverage ratio stood modest at 2.06 times in FY2016-17 against 1.55 times in FY2015-16. The net cash accrual by total debt (NCA/TD) stood at 0.05 times in FY2017 compared to 0.04 times in FY2016. The debt-to-service coverage ratio (DSCR) stood at 1.76 times in FY2017 compared to 1.44 times in FY2016.

Healthy scale of operations: GOL has healthy scale of operations marked by operating income of Rs.591.15 crore in FY2017 compared to Rs.355.72 crore in FY2016. The increase in revenue is on account of addition of new customers and geographies in FY2017. Also, the improvement in prices of basmati rice in the international market led to increase in revenue. Further, in the first quarter of FY2017-18, the company achieved revenue of around Rs.334.66 crore.

Proposed Bank Facility	LT	93.50	SMERA BBB-/Stable (Assigned)	-	-	-	-	-	-	-	-
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***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Term Loan	N.A	N.A	N.A	1.50	SMERA BBB-/Stable (Reaffirmed)
Packing Credit	N.A	N.A	N.A	106.00 (enhanced from Rs.21.50 crore)	SMERA A3 (Reaffirmed)
Standby Line of Credit	N.A	N.A	N.A	19.00	SMERA BBB-/Stable (Assigned)
Proposed Bank Facility	N.A	N.A	N.A	93.50	SMERA BBB-/Stable (Assigned)

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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