

# **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.

**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.





#### Weaknesses:

**Risk related to economic conditions of the export countries:** The company exports its products to Iran, Iraq, Western Europe and other countries thereby exposing itself to risks related to economic conditions of the export countries. Any slowdown in the economic conditions of these countries may adversely impact order flow.

**Foreign exchange fluctuation risk:** Since the company caters to the aforementioned countries, the profitability margins are susceptible to fluctuations in forex rates. Also, the company operates in a highly competitive and fragmented rice industry.

**Analytical approach:** SMERA has considered the standalone business and financial risk profile of the company.

## **Applicable Criteria**

- Manufacturing Entities <u>https://www.smera.in/criteria-manufacturing.htm</u>
- Application of Financial Ratios and Adjustments: <u>https://www.smera.in/criteria-fin-ratios.htm</u>
- Default Recognition: https://www.smera.in/criteria-default.htm

## **Outlook: Stable**

SMERA believes that the company will maintain a stable outlook in the medium term on account of its experienced management and long track record of operations. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected revenue, profitability or further debt-funded capital expenditure undertaken that weakens the financial risk profile.

## About the rated entity - Key Financials

For FY2017, the company reported profit after tax (PAT) of Rs.5.59 crore on operating income of Rs.591.15 crore, compared to PAT of Rs.2.05 crore on operating income of Rs.355.72 crore in FY2016. The net worth stood at Rs.87.61 crore as on 31 March, 2017 as against Rs.75.89 crore a year earlier. The net worth of Rs.87.61 crore in FY2017 includes quasi equity of Rs.47.48 crore.

## Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

#### **Rating History for the last three years:**

Name of Instrument	FY2018			FY2018		FY2017		FY2016		FY2015	
/Facilities	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term Loan	LT	1.50	SMERA BBB- /Stable (Reaffirmed)	29 <sup>th</sup> September, 2017	SMERA BBB- /Stable (Assigned)	-	-	-	-	-	_
Packing Credit	ST	106.00 (enhanced from Rs.21.50 crore)	SMERA A3 (Reaffirmed)	29 <sup>th</sup> September, 2017	SMERA A3 (Assigned)	-	-	-	-	-	-
Standby Line of Credit	LT	19.00	SMERA BBB- /Stable (Assigned)	-	-	-	-	-	-	-	-



Proposed			SMERA BBB-								
Bank	LT	93.50	/Stable	-	-	-	-	-	-	-	-
Facility			(Assigned)								Í

#### \*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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