



Press Release

Godavari Commodities Limited

02February, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 240.00 Cr.
Long Term Rating	SMERA A- / Outlook: Stable
Short Term Rating	SMERA A2+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA A-** (read as **SMERA A minus**)' and short term rating of '**SMERA A2+**' (read as **SMERA A two plus**) on the Rs. 240.00 crore bank facilities of Godavari Commodities Limited (GCL). The outlook is '**Stable**'.

Incorporated in 1992- GCL is a Kolkata based company engaged in trading of non-coking coal. The company also provides coal handling, supervision, and transportation services. GCL was promoted by Bhutoria family associated with coal trading since last six decades. Currently the business is managed by Mr. Padam Chand Bhutoria and his son Mr.Kamal Bhutoria.

Key Rating Drivers

Strengths

Experienced management and long track record of operations

GCL has track record of over two decades in the said line of business. The promoter, Mr. Padam Chand Bhutoria has more than two decades of experience in the coal trading business. Currently the business is managed by Mr. Padam Chand Bhutoria and his son Mr. Kamal Bhutoria.

Healthy scale of operations

The scale of operations is healthy with revenue of Rs 677.73 crs in FY 17 as compare to Rs 900.62 crs in FY 16. The company had witnessed a decline in sales in FY17 by approx 25 per cent on account of low trading of coal due to low Price Load Factor (PLF) of power generation units and muted growth in the electricity demand. However, the scenario during the current financial year has improved where the company has registered revenue of Rs 1,114.56 crs from April till Dec'17 (provisional).

Healthy financial risk profile and comfortable liquidity

The financial risk profile is marked by healthy net worth base, comfortable gearing and debt-protection metrics. The net worth stood at Rs.302.04 crore as on March 31, 2017 as compare to Rs. 281.24 crs as on 31st March'16. The gearing stands comfortable at 0.29 times in FY 17 as compare to 0.19 times in FY 16. The debt of Rs 86.18 crs consist of cash credit of Rs 41.06 crs and Rs 45.12 crs of unsecured loans from related parties. The interest coverage ratio stands comfortable at 6.16 times in FY 17 as compared to 11.06 times in FY 16. The NCA/TD stood at 0.25 times in FY17 as against 0.31 times in FY16. SMERA expects the financial risk profile to improve over the medium term driven by steady accruals and absence of significant capex plans.

The rating also factors in the comfortable liquidity in the form of cash maintained in the current account of more than Rs 20 crs during the period under review (FY 15- FY 17). The company also has ~ Rs 12.15 crs of mutual funds as on 31st March'17 which further enhances its liquidity profile.

Reputed clientele and established tie up with suppliers

Being in coal trading for more than two decades, GCL has been able to develop long standing relation with customers not only in India but also in neighboring countries such as Nepal and Bangladesh both in government sector as well as private sector. The coal is being supplied to domestic industrial consumers including thermal power station operated by government undertaking as well as private operators. Some of the major customers include Lalitpur Power Generation Company Limited, Lanco Anpara Power Limited, Bajaj Energy Private Limited, Hindalco Industries Limited, West Bengal Power Development Corporation Limited.

GCL has strong tie-ups with domestic and overseas coal miners including Australian, Indonesian and South African miners for regular supplies of different grades of coal.

Weaknesses

Stretched debtor position

The company's debtor position remained stretched marked by debtor days of 160 in FY 17 as compare to 72 days in FY 16. In value terms, the debtors rose to Rs 297.14 crore as on March 31, 2017 as against Rs 178.30 crore in the preceding year. The rise in receivable is due to significant amount being pending from Lalitpur Power Generation Company Limited (LPGCL) which constituted about 25 per cent of its total receivable. Though the debtors position is stretched- the company has sufficient balance available in Cash Credit limit for managing its working capital where average utilization during the last 9 months ended Dec'17 is only 33 per cent. Going forward, SMERA believes any further stretched in receivable position could adversely impact the working capital management of the company.

Analytical Approach

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

Outlook: Stable

SMERA believes that the company will continue to benefit over the medium term from its management's extensive experience and established position in coal trading business. The outlook may be revised to 'Positive' if there is a substantial and sustained increase in the company's revenues and profitability margins and improvement in its debtor position, conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenue and profitability margins, or significant deterioration in its capital structure most likely because of a stretch in its debtor position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	677.73	900.62	981.62
EBITDA	Rs. Cr.	35.10	20.78	22.42
PAT	Rs. Cr.	20.80	16.36	11.91
EBITDA Margin	(%)	5.18	2.31	2.28
PAT Margin	(%)	3.07	1.82	1.21
ROCE	(%)	11.75	8.90	17.15
Total Debt/Tangible Net Worth	Times	0.29	0.19	0.20
PBDIT/Interest	Times	6.16	11.06	3.15
Total Debt/PBDIT	Times	2.01	1.85	1.92
Gross Current Assets (Days)	Days	276	137	155

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>
- Trading Entities - <https://www.smera.in/criteria-trading.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	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	65.00	SMERA A-/ Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	SMERA A-/ Stable
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	50.00	SMERA A2+
Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	30.00	SMERA A2+
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	55.00	SMERA A2+
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA A2+

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in Aniruddha Dhar Rating Analyst Tel: 033-66201209 aniruddha.dhar@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 varsha.bist@smera.in

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.

Disclaimer: *A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.*
