

Press Release

Godavari Commodities Limited

July 26, 2019



Rating Re-affirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has re-affirmed long term rating of **ACUITE A- (read as ACUITE A minus)** and short term rating of **ACUITE A2+ (read as ACUITE A two plus)** to the Rs. 240.00 Cr. 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 the 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.

Analytical Approach

Acuité has taken a standalone view the business and financial risk profile of GCL to arrive at the rating.

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 1549.67 in FY 19 (prov) as compared to Rs 1597.83 in FY 18. The healthy scale of operations is mainly on account of the established market position of GCL in eastern and northern India where they are catering to thermal power plants, cement plants and other trading entities with clients such as Lalitpur Power Generation Company Limited, MSTC Limited, West Bengal Minerals Development & Trading Corporation Limited, Jaypee Power Ventures Limited, Vedanta Limited to name a few.

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.398.80 crore as on March 31, 2019 (prov) as compared to Rs. 347.58 crs as on 31st March'18. The gearing stands comfortable at 0.20 times as on March 31, 2019 (prov) as compared to 0.16 times as on 31st March'18. The debt of Rs 78.16 crs consists of cash credit of Rs 33.86 crs and Rs 45.00 crs of unsecured loans from related parties. The interest coverage ratio stands comfortable at 8.27 times in FY 19 (prov) as compared to 7.53 times in FY 18. The NCA/TD stood at 0.66 times in FY19 (prov) as against 0.81 times in FY18.

The rating also factors in the comfortable liquidity with more than Rs 50 crs of liquid assets in the form of mutual funds and bank balance as on 31st March'19 (prov).

Weaknesses

Stretched debtor days

The debtor days are elongated at 122 days as on 31st March'19 (prov) as compared to 120 days as on 31st March'18. Though, the same has improved from 160 days as on 31st March'17 it still remains stretched. Further, ~ 18 per cent of receivables is due from a single party, viz. Lalitpur Power Generation Company Limited. However, Acuité derives comfort from the low utilisation of its cash credit limit where average utilization during the last 12 months ended May'19 is only 31 per cent. Going forward, ability of the company to reduce its receivable position will remain a rating sensitivity.

Exposure to group companies

In May'19, GCL has invested Rs 40 crore in acquiring a 74 per cent stake in Phalogix Infrastructure Private Limited (PIPL), a West Bengal based logistic company engaged in providing freight terminals. The company was acquired through bidding process in National Company Law Tribunal (NCLT). Currently, PIPL is operating in Durgapur (West Bengal) and Muradnagar (Uttar Pradesh) through its freight terminals earning ~ Rs 1.50 crore of revenue per month. Ramp up of operations in PIPL thereby ensuring steady return on GCL's investment will remain a key rating sensitivity.

Liquidity Position:

GCL has healthy liquidity marked by net cash accruals to its maturing debt obligations. GCL generated cash accruals of Rs. 52 crores in FY 2018-19, while its maturing debt obligations were nil during the same period. The operations are working capital intensive in nature marked by GCA of 204 days as on 31 March, 2019 (prov) as against 177 days in the previous year. The utilisation of its fund based limit stood comfortable at ~ 31 per cent during the 12-month ended May, 2019. GCL has ~ Rs 50 crs of liquid assets in the form of mutual funds and bank balance as on 31st March'19 (prov).

Outlook: Stable

Acuité believes that GCL will maintain 'Stable' over the medium term from the promoter's long experience in the business and its established market position. The outlook may be revised to 'Positive' if there is a significant improvement in the receivables while maintaining steady growth in their scale of operations and profitability. Conversely, the outlook may be revised to 'Negative' if there is a significant dip in sales and profitability or there is further elongation in the working capital cycle. Also, any further significant rise in exposure to group companies may also entail a 'Negative' outlook.

About the Rated Entity - Key Financials-

	Unit	FY19 (Prov)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	1549.67	1597.63	677.73
EBITDA	Rs. Cr.	90.71	74.02	35.10
PAT	Rs. Cr.	51.22	44.41	20.80
EBITDA Margin	(%)	5.85	4.63	5.18
PAT Margin	(%)	3.31	2.78	3.07
ROCE	(%)	20.41	20.00	11.75
Total Debt/Tangible Net Worth	Times	0.20	0.16	0.29
PBDIT/Interest	Times	8.27	7.53	6.16
Total Debt/PBDIT	Times	0.87	0.70	2.01
Gross Current Assets (Days)	Days	204	177	276

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

On 28th August'2018, CRISIL has migrated Godavari Commodities Limited's (GCL) rating to the CRISIL BB+ Stable/CRISIL A4+(ISSUER NOT COOPERATING).

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Trading Entities-<https://www.acuite.in/view-rating-criteria-6.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>
Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
17 th April'19	Cash Credit	Long Term	65.00	ACUITE A- Issuer not co-operating*
	Proposed Cash Credit	Long Term	25.00	ACUITE A- Issuer not co-operating*
	Letter of Credit	Short Term	50.00	ACUITE A2+ Issuer not co-operating*
	Proposed Letter of Credit	Short Term	30.00	ACUITE A2+ Issuer not co-operating*
	Bank Guarantee	Short Term	55.00	ACUITE A2+ Issuer not co-operating*
	Proposed Bank Guarantee	Short Term	15.00	ACUITE A2+ Issuer not co-operating*
02 nd -Feb'18	Cash Credit	Long Term	65.00	ACUITE A- /Stable (Assigned)
	Proposed Cash Credit	Long Term	25.00	ACUITE A- /Stable (Assigned)

	Letter of Credit	Short Term	50.00	ACUITE A2+ (Assigned)
	Proposed Letter of Credit	Short Term	30.00	ACUITE A2+ (Assigned)
	Bank Guarantee	Short Term	55.00	ACUITE A2+ (Assigned)
	Proposed Bank Guarantee	Short Term	15.00	ACUITE A2+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	65.00	ACUITE A-/Stable (Re-affirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A-/Stable (Re-affirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A2+ (Re-affirmed)
Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A2+ (Re-affirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	55.00	ACUITE A2+ (Re-affirmed)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A2+ (Re-affirmed)

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About Acuité Ratings & Research:

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