

Press Release

G. V. (God Vishnu) Rice Unit

15 March, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 60.00 Cr.
Long Term Rating	SMERA BBB/ Outlook: Stable
Short Term Rating	SMERA A3+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BBB**' (read as SMERA triple B) and short term rating of '**SMERA A3+**' (read as SMERA A three plus) on the Rs. 60.00 crore bank facilities of G. V. (God Vishnu) Rice Unit (GVRU). The outlook is '**Stable**'.

GVRU is a Haryana-based partnership firm established in 1987 by Ms. Nirmala Devi, Mr. Suriender Bansal, Mr. Parmod Bansal, and Mr. Vinit Bansal. The firm is engaged in the trading, milling and export of Basmati rice to the Gulf countries. The manufacturing capacity stands at 3500 bags per day.

Key rating drivers

Strengths

Experienced management and established track record of operations

The promoters, Ms. Nirmala Devi, Mr. Suriender Bansal, Mr. Parmod Bansal and Mr. Vinit Bansal have experience of over three decades in the rice milling industry. Backed by its experienced management, the firm has developed healthy relations with its clientele.

Above average financial risk profile

The firm has above average financial risk profile marked by tangible net worth of Rs.45.87 crore as on 31 March, 2017 as against Rs. 39.88 crore on 31 March, 2016. This includes unsecured loan of Rs. 21.70 crore as on 31 March, 2017 considered as quasi equity as the same is subordinated to bank debt. The adjusted gearing stood at 1.09 times as on 31 March, 2017 as against 0.64 times as on 31 March, 2016. The debt of Rs. 50.13 crore mainly consists of working capital borrowings of Rs. 50.05 crore as on 31 March, 2017. The Interest Coverage Ratio (ICR) stood at 4.05 times for FY2017 as against 3.97 times in FY2016. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.02 times as on 31 March, 2017 as against 2.02 times as on 31 March, 2016. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.15 times as on 31 March, 2017 as against 0.25 times as on 31 March, 2016. Going forward, SMERA expects the firm to maintain its financial risk profile in the absence of major debt funded capex plans.

Healthy profitability and revenue growth

The revenues improved to Rs. 225.13 crore in FY2017 from Rs. 194.95 crore in FY2016. Further, during April 2017 to January 2018, the firm registered revenue of ~Rs. 240.00 crore. The PAT margins improved to 3.14 percent in FY2017 from 3.03 percent in FY2016.

Weaknesses

Working capital intensive operations

The operations are working capital intensive marked by Gross Current Asset days (GCA) of 219 in FY2017 and FY2016. The GCA days are mainly dominated by high inventory of 108 days in FY2017 compared to 141 days in FY2016. The firm utilised around 90 percent of its working capital during the past six months. SMERA believes that efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

Agro climatic risks, exposure to fluctuations in raw material prices

The production of rice, a seasonal crop, is highly dependent on the vagaries of the monsoon. The firm is exposed to risks associated with fluctuations in the prices of paddy.

Forex fluctuation risk

GVRU exports around 90 percent of its total produce to the Gulf. As a result the profit margins are susceptible to fluctuations in forex rates in the absence of hedging mechanism.

Competitive and fragmented nature of the rice milling industry

GVRU operates in a highly competitive and fragmented rice milling industry characterised by a large number of organised as well as unorganised players, affecting margins.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of GVRU to arrive at the rating.

Outlook – Stable

SMERA believes that GVRU will maintain a stable outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the firm registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	225.13	194.95	204.60
EBITDA	Rs. Cr.	9.20	8.13	8.62
PAT	Rs. Cr.	7.07	4.17	4.21
EBITDA Margin	(%)	4.09	4.17	4.21
PAT Margin	(%)	3.14	3.03	2.85
ROCE	(%)	11.83	12.31	25.09
Total Debt/Tangible Net Worth	Times	1.09	2.52	3.51
PBDIT/Interest	Times	4.05	3.97	3.64
Total Debt/PBDIT	Times	5.20	5.50	5.90
Gross Current Assets (Days)	Days	219	219	215

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BBB/ Stable
Packing Credit	Not Applicable	Not Applicable	Not Applicable	55.00	SMERA A3+

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ABOUT SMERA

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