

Press Release

Green Village Agros Private Limited

May 21, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 18.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-' (read as SMERA BB minus)** on the Rs. 18.00 crore bank facilities of Green Village Agros Private Limited. The outlook is '**Stable**'.

GVAPL is a Karnal (Haryana) based company incorporated in 1995 by Late Mr. Ashok Gupta and Mrs. Neha Gupta. Presently, the day to day operations of the company is handled by Mrs. Neha Gupta and Mr. Anish Gupta, son of Mr. Ashok Gupta after his demise last year. The company is engaged in processing of basmati and non- basmati rice since 2000. The manufacturing unit is located at Karnal (Haryana) with milling capacity of 2 metric tonnes per day. GVAPL derives around 60 percent of its revenue through exports to Middle East countries and remaining 40 percent from the domestic market in states including Delhi, Haryana and Punjab. GVAPL procures paddy from mandis located in Haryana, Punjab and Uttar Pradesh.

Key Rating Drivers

Strengths

- **Established position and experienced management:**

GVAPL is engaged in processing of basmati and non-basmati rice for almost two decades in Haryana. The established position has helped the company to maintain long standing relation with customers in overseas market including Middle East countries and domestic market. The company benefits from the vast experience of its management including Mrs. Neha Gupta and her son, Mr. Anish Gupta, who collectively possess around 15 years of experience in the rice milling business. The established position has helped the company to maintain long standing relations with its customers and suppliers.

- **Moderate financial risk profile:**

The financial risk profile of the company is moderate with networth at Rs.10.45 crore as on 31 March, 2017 as against Rs.9.46 crore in the previous year. The debt to equity position is moderate at 1.98 times as on 31 March, 2017 as against 1.81 times in the previous year. The interest coverage ratio stood at 1.81 times as on 31 March, 2017 as against 1.70 times in the previous year. The debt service coverage ratio stood at 1.40 times for FY2017 as against 1.55 times in the previous year. The total outside liabilities to tangible networth increased to 2.31 times as on 31 March, 2017 as against 1.95 times in the previous year. Going forward, SMERA expects the company to maintain moderate financial risk profile in the absence of major debt funded capex plan.

- **Proximity to rice growing area**

The milling facility of GVAPL is located in Karnal (Haryana) which offers proximity to raw material i.e. paddy given this area has ample production of rice. A number of rice mandi's are located in Haryana. GVAPL is procuring raw material (paddy) from local mandis of Haryana and Punjab which are among top 10 rice producing states in India.

Weaknesses

- **Decline in revenue during current financial year**

The company is operating at modest scale of operations as the operating income stood at Rs.110.55 crore

for FY2017 as against Rs.106.17 crore in the previous year. However, the company reported decline of around 17 percent in FY2018 as the operating income stood at Rs.92.19 crore for FY2018 (provisional). The decline in revenue was mainly on account of the slowdown in operations due to demise of the promoter, Late Mr. Ashok Gupta during FY2018. However, the company plans to report substantial growth of around 30 percent for FY2019 on account of stabilisation of operations and favourable demand for basmati and non-basmati rice.

• **Low profitability and same is exposed to volatility in commodity prices**

GVAPL reported operating profitability of 3.20 percent for FY2017 as against 3.13 percent in the previous year. The company is dealing in paddy and wheat which are agricultural commodities, the prices of these commodities are highly dependent on uncertain agro-climatic conditions i.e. any sudden changes in climatic conditions like inadequate rainfall or draught might affect the availability of agricultural commodities and cause increase in commodity prices. Further, any changes in the government policies, particularly affecting the import/export cost to buyer or seller will have a huge impact on commodity prices. Due to the above factors, the profitability of the company is susceptible to volatility in commodity prices.

• **Presence in highly fragmented and competitive industry**

The processing of agro commodity industry including rice and flour industry is highly fragmented and competitive in nature due to the presence of large number of unorganised and organised players. The high competition is expected to keep the profitability of the company under pressure.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of GVCPL to arrive at the rating.

Outlook: Stable

SMERA believes GVAPL will maintain a 'Stable' business risk profile on account of the extensive experience of the promoters in the agricultural commodity business. The outlook may be revised to 'Positive' in case GVAPL registers significant growth in revenue and profitability. The outlook may be revised to 'Negative' in case GVAPL register a decline in revenue or in case of significant deterioration in its profitability or liquidity profile due to higher than expected working capital borrowings.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	110.55	106.17	105.00
EBITDA	Rs. Cr.	3.53	3.32	3.66
PAT	Rs. Cr.	0.61	0.57	0.50
EBITDA Margin	(%)	3.20	3.13	3.49
PAT Margin	(%)	0.55	0.54	0.48
ROCE	(%)	9.93	10.07	21.24
Total Debt/Tangible Net Worth	Times	1.98	1.81	2.23
PBDIT/Interest	Times	1.81	1.70	1.59
Total Debt/PBDIT	Times	5.85	5.10	5.39
Gross Current Assets (Days)	Days	88	69	81

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	17.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BB- / Stable

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