

Press Release

G R Overseas (GRO)

July 12, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE B/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (**read as ACUITE B**) on the Rs. 10.00 crore bank facilities of G R Overseas. The outlook is '**Stable**'.

G R Overseas (GRO), established in 2014, by Mr. Pankaj Wadwa and Anil Kumar Wadwa as a partnership firm. The firm is engaged in the processing of basmati, non-basmati and parboiled rice. The manufacturing facilities are based out in Karnal, Haryana, with a capacity of 8 MT per hour.

Key Rating Drivers

Strengths

Experienced management:

The partners of G R Overseas (GRO), Mr. Pankaj Wadwa and Mr. Anil Kumar Wadwa has more than a decade of experience in the rice milling business. Such a long experience has helped them in developing good relations with reputed customers.

Weaknesses

Below average financial risk profile:

The below average financial risk profile of the company is marked by low net-worth, high gearing and comfortable debt protection metrics. The net worth of the company stood low at Rs.2.50 crore in FY2018 (Prov.) as compared to Rs.1.05 crore in FY2017. The gearing of the company stood high at 4.66 times in FY2018 (Prov.) as compared to 4.08 times in FY2017. The total debt of Rs. 11.62 crore consists of short term debt from bank of Rs.4.73 crore, unsecured loan from promoters of Rs.2.87 and long term debt of Rs.3.62 crore from bank. The interest coverage ratio (ICR) of the company stood comfortable at 4.08 times in FY2018 (Prov.) as compared to 1.25 times in FY2017. The debt service coverage ratio (DSCR) of the company stood comfortable at 2.66 times in FY2018 (Prov.) as compared to 1.25 times in FY2017. The net cash accruals against the total debt (NCA/TD) stand low at 0.09 times in FY2018 (Prov.) as compared to 0.01 times in FY2017.

Agro climatic risk and exposed to risk related with fluctuation in raw material price

Paddy which is the main raw material required for rice is a seasonal crop and the production of the same is highly dependent upon monsoon season. Thus inadequate rainfall may affect the availability of paddy in adverse weather conditions. The company is exposed to the risk related with fluctuation in raw material price. As paddy price is largely dependent on several external factors like domestic demand outlook, International trade regulations and domestic productions. Thus the firm is exposed to significant risk related with raw material fluctuation.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the firm.

Outlook: Stable

Acuité believes that the firm will maintain its stable business risk profile backed by management's extensive experience in the rice milling business and its established relationships with customers. The outlook may be revised to positive in case of sustained increase in revenues and accruals while maintaining its working capital cycle. Conversely, the outlook may be revised to negative in case of significant decline in revenues and accruals or in case of elongation of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	41.45	22.76	15.84
EBITDA	Rs. Cr.	1.46	0.19	0.01
PAT	Rs. Cr.	0.09	0.04	0.01
EBITDA Margin	(%)	3.53	0.81	0.04
PAT Margin	(%)	0.23	0.16	0.07
ROCE	(%)	5.14	4.77	3.18
Total Debt/Tangible Net Worth	Times	4.66	4.08	2.63
PBDIT/Interest	Times	4.08	1.25	1.41
Total Debt/PBDIT	Times	22.16	42.65	-
Gross Current Assets (Days)	Days	73	97	151

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>
- Manufacturing Entities – <https://www.acuite.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.65	ACUITE B/ Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE B/ Stable
Proposed Long term facilities	Not Applicable	Not Applicable	Not Applicable	2.35	ACUITE B/ Stable

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About ACUITE

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