

Press Release

G B Agro Products (GBAP)

May 24, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE B+/Stable (Assigned)
Short Term Rating	ACUITE A4 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned long term rating of '**ACUITE B+**' (read as **ACUITE B plus**) short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 15.00crore bank facilities of GB Agro Products (GBAP). The outlook is '**Stable**'.

Chhattisgarh based, G B Agro Products (GBAP) was established in 2011 as a partnership firm by Mr. Rajesh Bindal and Mrs. Madhu Bindal. The firm is engaged in processing of raw rice with the installed capacity of 5 tons per hour. Company sells its product under the brand of 'Bawarchi', 'Kitchen King', 'Blue Apple', 'Golden Apple', 'Yellow Apple', 'Bunty Bubbli' and 'Prarthna'.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of GBAP to arrive at the rating.

Key Rating Drivers:

Strengths

Moderate scale of operation and moderate profitability

The revenue of the company stood moderate at Rs.16.77 crore in FY2019 (Prov.) as compared to Rs.18.57 crore in the previous year. The profitability of the company stood moderate which reflects by the moderate EBIDTA of 6.56 per cent in FY2019 (Prov.) as its increased from 4.42 per cent in the previous year. The net profit margin of the company also stood comfortable at 2.32 per cent in FY2019 (Prov.) as compared to 0.53 per cent in FY2018.

Weaknesses

Weak financial risk profile

The financial risk profile of the company is marked by low Net worth, high gearing and moderate debt protection metrics. The net worth of the company stood low at Rs 1.32 crore in FY2019 (Prov.) as compared to Rs. 0.92 crore in FY2018, mainly on account of retention of current year profit. The gearing of the company stood high at 5.34 times in FY2019 (Prov.) as compared to 5.98 times in FY2018. The total debt of Rs. 7.02 crore consist of long term loan of Rs. 0.04 crore, short term debt of Rs. 4.02 crore and unsecured loan from promoters of Rs. 2.97 as on 31st March 2019 (Prov.). The interest coverage ratio (ICR) of the company stood moderate at 1.95 times in FY2019 (Prov.) as compared to 1.58 times in FY2018. The debt service coverage ratio (DSCR) of the company stood moderate at 1.95 times in FY2019 (Prov.) as compared to 1.50 times in FY2018. The net cash accruals against the total debt stand moderate at 0.08 times in FY2019 (Prov.) as compared to negative 0.05 times in FY2018.

Competitive and fragmented nature of rice milling business

Rice is a highly competitive industry due to low entry barriers which results in intense competition from both the organized as well as unorganized players in the industry.

Liquidity Position

The company has moderate liquidity marked by moderate net cash accruals of Rs.0.54 crore in FY2019 (Prov.) as compared to Rs.0.27 crore in the previous year. The moderate liquidity of the firm has also marked by 80-85 per cent utilization of working capital limit. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 141 in FY 2019 (Prov) and 125 days in FY2018.

Outlook: Stable

Acuite believes that GBAP will maintain a 'Stable' outlook over the medium term owing to its experienced management and moderate scale of operation. The outlook may be revised to 'Positive' if the firm generates substantial revenues and operating margins while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the working capital cycle elongates or if the financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov.)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	16.77	18.57	17.28
EBITDA	Rs. Cr.	1.10	0.82	0.77
PAT	Rs. Cr.	0.39	0.10	0.09
EBITDA Margin	(%)	6.56	4.42	4.48
PAT Margin	(%)	2.32	0.53	0.52
ROCE	(%)	12.96	10.65	19.78
Total Debt/Tangible Net Worth	Times	5.34	5.98	4.41
PBDIT/Interest	Times	1.95	1.58	1.65
Total Debt/PBDIT	Times	6.33	6.57	6.26
Gross Current Assets (Days)	Days	141	125	123

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>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.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	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE B+/Stable (Assigned)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B+/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4 (Assigned)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4 (Assigned)

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About Acuité Ratings & Research:

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