Press Release
GRM FOODKRAFT PRIVATE LIMITED
April 21, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	-	ACUITE A2+ | Reaffirmed
Total Outstanding Quantum (Rs. Cr)	50.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its short term rating of **'ACUITE A2+' (read as ACUITE A two plus)** on the Rs.50.00 Cr. proposed bank facilities of GRM Foodkraft Private Limited(GFPL).

Rationale for rating reaffirmation
The rating reaffirmation takes into account the healthy financial risk profile of the group, its strong liquidity position and improvement in revenues in 9MFY2025 post recording a decline in FY2024 as compared to FY2023, albeit moderation in profitability margins. Further, the rating continues to draw comfort from the extensive experience of the management and established brand presence in the agri-food industry.

However, the rating remains constrained on account of working capital-intensive nature of operations, exposure to agro-climatic conditions, inventory risks, economic conditions in export markets, foreign exchange fluctuations, and government regulations.

Going ahead, the group's ability to sustain growth in revenue and improve its profitability margins while maintaining its capital structure and healthy debt coverage indicators will remain a key rating monitorable.

About the Company

GRM Foodkraft Private Limited was Incorporated in 2020, the company sells a variety of BASMATI RICE, WHEAT FLOUR (Atta), Besan, Daliya, Suji, Poha etc. under its 10X Classic Brand. 10X Ready-to-cook product kits such as Hyderabadi Biryani, One Pot Moradabadi Biryani, has already been well accepted in markets. GRM Foodkraft has its presence in online and offline retail as well as the D2C segment. It has over 52 Distribution Centres (DCs), serving more than 1,60,000 Kirana stores.

About the Group

GRM Group comprises of GRM Overseas Limited and its three subsidiaries namely GRM International Holding Ltd. (GIHL, UK), GRM Fine Foods Inc. (GFFI, USA) & GRM Foodkraft Pvt. Ltd. (GFPL, India). The group is engaged in milling, processing and distribution of basmati rice in domesitc and overseas markets. It exports to more than 58 countries majorly across in Middle East and Europe. The domestic business is conducted through GRM Foodkraft Pvt Ltd under their flagship brand-name 10X offering essential consumer goods and kitchen necessities, encompassing rice,spices,atta(flour), and Ready-to-Eat products. The international operations are run through GRM International Holding Ltd. (GIHL, UK), GRM Fine Foods Inc. (GFFI, USA).

Unsupported Rating
Not Applicable

Analytical Approach

Extent of Consolidation
•Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support
The team has consolidated the business and financial risk profiles of G R M Overseas Limited with its three

subsidiaries GRM International Holding Ltd. (GIHL, UK), GRM Fine Foods Inc. (GFFI, USA) & GRM Foodkraft Pvt. Ltd. (GFPL, India). The consolidation is in view of common management, operational & financial linkages between the entities. Together these entities are being referred to as GRM Group (GG)

Key Rating Drivers

Strengths

Experienced management and established brand presence in the agri-food industry
The group established as a Partnership Firm in 1974 as "Garg Rice & General Mills". In 1995, the company incorporated to public company with the name of GRM Overseas Limited. It has established itself as a quality basmati rice producer and supplier in multiple countries through a wide network of sales and distribution offices in the UK, USA & Middle East. The company has tied up with ASDA Walmart (UK), T.J. Morris (UK), B&M (UK), Albert Heign (Holland), Metro (Poland), Carrefour (UAE) amongst others to reach its customers. The company was founded by Mr. Hukam Chand Garg and is currently promoted by his son Mr. Atul Garg. The promoters have rich experience of more than 45 years in the agri-food industry. Over the years, company has developed long standing relationship with its customers and suppliers.
Acuité believes that the group will continue to benefit from its experienced management, established brand presence and long-standing relationship with its customers and suppliers.

Healthy financial risk profile
Financial risk profile of GG is healthy marked by healthy net worth, moderate gearing, and healthy debt protection metrics. The net worth of the group improved to Rs.429.74 Cr. as on 31 March 2024 as against Rs.372.04 Cr. as on 31 March 2023. The net worth includes part of Unsecured Loans (USL) by promoters which has been subordinated to bank borrowings and bears an interest rate of 7% per annum. The gearing (debt-equity) improved to 0.68 times as on 31 March 2024 as against 0.84 times as on 31 March 2023. The total debt of Rs.293.37 Cr. as on 31 March 2024 consists of long-term bank borrowings of Rs.0.15 Cr, short-term working capital limit of Rs.256.75 Cr, and CPLTD of Rs.0.19 Cr. However, the decline in profitability in FY2024 led to moderation in debt protection metrics. The interest coverage ratio moderated to 5.08 times in FY2024 from 5.60 times in FY2023. The DSCR stood at 4.04 times in FY2024 from 4.29 times in FY2023. The Net Cash Accruals to Total debt stood at 0.22 times for FY2024 and 0.21 times for FY2023. The Total outside liabilities to Tangible net worth stood at 0.79 times in FY2024 as against 1.10 times in FY2023.

Further, the group has issued and allotted 90,70,000 convertible warrants allotted at a price of Rs.150 including the Warrant Subscription Price of Rs.37.5, aggregating up to Rs. 136.05 Cr. ("Total Issue Size") on preferential basis to the persons/entities belonging to Promoter and Non-Promoter Category. The group has received an amount aggregating to Rs. 34.01 Cr. in FY2025, being 25% of the Issue Price per Warrant as upfront payment and the balance is expected within 18 months from the date of allotment of warrants.

Going ahead, the financial risk profile of the group is expected to strengthen further on the back of issuance of share warrants and absence of any major debt-funded capex over the medium term.

Improvement in the scale of operations in 9MFY2025 post a marginal decline in FY2024 albeit moderation in the profitability
The revenue of GG improved to Rs.1056 Cr. in 9MFY2025 against Rs.906 Cr. in 9MFY2024 post a decline in revenue to Rs.1312.44 Cr. in FY2024 from Rs.1379.46 Cr. in FY2023. The decline in the revenue in FY2024 was primarily on account of decline in the sales volume. However, during FY2024 the price realizations went up by 3.85% as compared to FY2023. The revenue is derived from the export of basmati rice coupled with sale of basmati rice and other staples in the domestic market. The domestic sales are undertaken through their subsidiary – GRM Foodkraft Limited. Further, the revenue from domestic sales witnessed strong growth constituting ~45.41% of the total revenue in 9MFY2025 against 22.56% in FY2024. Healthy growth traction is expected to continue in the domestic sales in the near to medium term. The operating profit margin stood at 6.31% in 9MFY2025 against 7.35% in FY2024 and 7.98% in FY2023. The PAT margin stood at 3.80% in 9MFY2025 against 4.63% in FY2024 and 4.56% in FY2023.

Going ahead, the ability of GG to improve its scale of operations along with profitability margins will remain a key monitorable.

Launch of 10X Venture
In August 2024, GRM Overseas Limited launched its new strategic platform, 10X Ventures, which is expected to drive growth by investing in Digital-First New Age D2C brands, Lifestyle brands, smaller portfolio brands, and incubator opportunities. 10X Ventures will capitalize on GRM's expansive infrastructure and entrepreneurial experience. The group has planned to invest ~Rs.200 Cr by acquiring Digital-First New Age D2C brands in India so that they can get benefit from their D2C network which will help them in expanding '10X Brand' in India. GRM Group aims to become a blended house of brands company, which will integrate the strengths of traditional FMCG with the agility of e-commerce aggregators and roll-up models.

Weaknesses

Working capital intensive operations

The operations of GG are working capital intensive marked by Gross Current Assets (GCA) of 200 days in FY2024 as against 194 days in FY2023. The group maintains high inventory by storing adequate amount of its different categories of rice in order to readily meet the demand of its customers . Also, since the production of rice is strongly dependant on rainfall and other climatic conditions. The Debtors days stood at 134 days in FY2024 as against 107 days in FY2023. Creditors days stood at 10 days in FY2024 as against 24 days in FY2023. The reliance on working capital limits stood moderate at ~62% for the last 12 months ending december 2024. Going ahead, the working capital operations are expected to remain intensive over the medium term.

Agro climatic risk and inventory risk

Paddy, the main raw material required for rice is a seasonal crop and production of the same is highly dependent upon the monsoon season. Thus, inadequate rainfall may affect the availability of paddy under adverse weather conditions. Conversely, overstocking leads to a significant quantity of paddy/rice in inventory and exposes the company to inventory price risk.

Risk related to economic conditions of the export countries, foreign exchange and government regulations

The Group is engaged in the milling and processing of rice and is exporting the same to Middle Eastern countries. This exposes the company to the risks related to economic conditions of the export countries. Any slowdown in the economic conditions of these countries may adversely impact the orders inflow of the Group. Further, the profitability margins remain susceptible to fluctuations in foreign exchange rates.

Rating Sensitivities

- Improvement in scale of operations and profitability margins while maintaining its capital structure.
- Improvement in working capital cycle while maintaining strong liquidity position.

Liquidity Position

Strong

GG has strong liquidity position marked by healthy net cash accruals of Rs.64.39 Cr. in FY2024 against its minimal maturing debt obligation of Rs.0.44 Cr. during the same period. Going forward the cash accruals are expected to remain healthy against minimal repayment obligation in the near term. The reliance of the group on the bank limits is moderate and stood at ~62% in the last 12 months ending December 2024. Current ratio stood at 2.42 times as on 31 March 2024. The group has maintained cash & bank balance of Rs.6.55 Cr. in FY2024.

Going ahead, the liquidity position of the group is expected to remain healthy on account of healthy generation of cash accruals against minimal repayment obligation and moderate reliance on bank limits.

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	1312.44	1379.46
PAT	Rs. Cr.	60.72	62.86
PAT Margin	(%)	4.63	4.56
Total Debt/Tangible Net Worth	Times	0.68	0.84
PBDIT/Interest	Times	5.08	5.60

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

Not Applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm
- Consolidation Of Companies: https://www.acuite.in/view-rating-criteria-60.htm
- Default Recognition: https://www.acuite.in/view-rating-criteria-52.htm
- Manufacturing Entities: https://www.acuite.in/view-rating-criteria-59.htm

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 Jan 2024	Proposed Bills Discounting	Short Term	50.00	ACUITE A2+ (Reaffirmed)
12 Jan 2024	Proposed Bills Discounting	Short Term	50.00	ACUITE A2+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	50.00	Simple	ACUITE A2+ | Reaffirmed

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr.No.	Company Name
1	GRM Overseas Limited
2	GRM Foodkraft Pvt. Ltd., India
3	GRM International Holding Ltd., UK
4	GRM Fine Foods Inc, USA

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About Acuité Ratings & Research

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