



## Rating Rationale

GRM Foods Pvt. Ltd.

30 Jan 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of Rs. 33.88 Crores of GRM Foods Pvt. Ltd.

### Particulars

Facility	Amount (Rs. Crs)	Tenure	Rating*
Fund based	33.88	Long Term	<b>BWR BB+</b> (Pronounced as BWR Double B Plus) <b>Outlook: Stable</b>
	(10.00)	Short Term	<b>BWR A4+</b> (Pronounced as BWR A Four Plus)
<b>Total</b>	<b>33.88</b>	<b>Rupees Thirty Three Crores and Eighty Eight Lakhs Only</b>	

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\* Refer annexure for bank facility details

BWR has assigned long term rating at BWR BB+ with stable outlook and short term rating at BWR A4+ for the bank loan facility of Rs. 33.88 Crs of GRM Foods Pvt Ltd ('GFPL' or 'the company').

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials from FY16 to FY18, projections till FY20 and publicly available information/clarification provided by the management.

The rating has factored experience of the promoters, locational advantage. However the rating is constrained by high gearing, limited equity base and moderate scale of operations. Going forward the ability of the company to improve gearing and profitability would be key rating sensitivity.

### Description of Key Rating Drivers

**Promoters experience:** The promoters of the company are having experience in rice processing over two decades, which has helped the company to long term relationship with its customers.

**Locational advantage:** GFPL acquires paddy from local markets and suppliers, processes the same selles it in domestic and international market. Its location in Ladwa, Kurukshetra gives access to JFPL to cheap raw material from the fields of Haryana.

**Moderate scale of operations:** GFPL has registered total operating income of Rs. 192.92 Crs against total operating income of Rs. 138.18 Crs in FY17. Further it has achieved total operating income of



Rs. 163.28 Crs in 9MFY19, scale of operation remains moderate in the competitive rice processing industry.

**Financial risk profile:** Tangible net worth has remained moderate at Rs. 14.01 Crs (including unsecured loan from promoters). Gearing is high at 4.45 times as on March 31, 2018. Debt protection metrics were also remained moderate, with interest coverage ratio of 1.75 times on FY18.

**Analytical Approach**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

**Rating Outlook: Stable**

BWR believes the **GRM Foods Pvt. Ltd.** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

**About the Company**

GRM Foods Private Limited (GFPL) was established in 1972 by Mr. Dhanpatrai, Mr. Barumal and Mr. Mangeram. The company is engaged in the milling and trading of basmati rice and has capacity of 10 tonnes per hour.

**Company Financial Performance**

In FY18 the company has registered total operating income of Rs. 192.92 Crs and PAT of Rs. 2.25 Crs as against total operating income of Rs. 138.18 Crs and PAT of Rs. 1.44 Crs in FY17

**Rating History for the last three years**

S.No	Instrument /Facility	Current Rating (2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
1	Fund Based	Long Term	33.88	<b>BWR BB+</b> (Pronounced as BWR Double B Plus) (Outlook: Stable)	NA	NA	NA
		Short Term	(10.00)	<b>BWR A4+</b> (Pronounced as BWR A Four Plus)	NA	NA	NA
<b>Total</b>			<b>33.88</b>	<b>Rupees Thirty Three Crores and Eighty Eight Lakhs Only</b>			

Status of non-cooperation with previous CRA: NA

**Key Financial Indicators**

Key Parameters	Units	2017	2018
Result Type		Audited	Audited
Total Operating Revenue	₹ Cr	138.18	192.92
EBITDA	₹ Cr	7.02	9.78
PAT	₹ Cr	1.44	2.25
Tangible Net worth (Adjusted)	₹ Cr	11.32	14.01
Total Debt/Tangible Net worth (Adjusted)	Times	5.05	4.45
Current Ratio	Times	1.14	1.14

**Annexure - Bank Facility details**

Facility	Tenure	Amt in Crs
<b>Fund Based</b>		
Term Loan (o/s amount as on 04.08.2018)	Long Term	1.88
Cash Credit		32.00*
PC/PCFC (100% one way convertibility to CC)	Short Term	10.00*
Foreign documentary bill purchase (FDBP)/FUDBP/FCBRD (Sub Limit of PC/PCFC)		(10.00)
Total		33.88

\*The aggregate exposure of Cash credit and PC/PCFC will remain Rs. 32.00 Crs.

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Service Sector](#)



- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
<i><u>Ravindra Kumar</u></i> <i><u>Director - Ratings</u></i>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	Relationship Contact
	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone: 1-860-425-2742</b>	

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**Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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