Rating Rationale

GRR Industries Private Limited

10 May 2018

Brickwork Ratings reaffirms the rating 'BWR BB- (Outlook: Stable)' for the Bank Loan Facility of Rs. 8.00 Crore of GRR Industries Private Limited

Particulars

Facilities Rated	Amount (Rs. Crs)		Tenure	Rating*	
	Previous	Present		Previous	Present
Fund Based Open Cash Credit	8.00	8.00	Long Term	**BWR BB-** *(Pronounced BWR Double B Minus)* **Outlook: Stable**	**BWR BB-** *(Pronounced BWR Double B Minus)* **Outlook: Stable** *Reaffirmed*
Total	**8.00**	**Rs. 8.00 Crore (Rupees. Eight Crore Only)**			

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rating: Brickwork Ratings reaffirms the Long Term rating of *BWR BB- (Outlook: Stable)* for the Bank Loan Facility of Rs. 8.00 crore of GRR Industries Private Limited.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

Brickwork Ratings has essentially relied upon the audited financials upto FY17, publicly available information and information/clarifications provided by the company's management.

The rating continues to factor the experience of management in cotton industry, established operational track record, long standing relations with the customers and locational advantage of the company's cotton processing unit being located in and around cotton cultivating districts of Telangana. However, the rating continues to be constrained by modest scale of operations coupled with thin profitability, average financial risk profile, susceptibility of profitability margins to volatility in raw material prices, intense competition from both organized and unorganized players in a fragmented industry, inherent risks associated with cotton industry and working capital intensive nature of operations.

Going forward, ability of the company to improve its scale of operations, to improve its profitability, to infuse additional capital, to strengthen its financial profile, to increase the utilization capacity and to manage its working capital efficiently will be the key rating sensitivities.

Key Rating drivers

Credit Strengths

- GIPL's management has extensive experience in cotton industry which helps in complete understanding of the business and build relationship with suppliers and customers.
- The company has established operational track record and has long standing relationship with wholesalers in Andhra Pradesh, Maharashtra, Tamil Nadu, Haryana, etc.
- Locational advantage of of the company's cotton processing unit which enables easy access for procurement of raw cotton.

Credit Weaknesses

- GIPL's scale of operation remains modest. Profitability remained thin over the last three years. Since cotton is an agricultural commodity, availability and prices of cotton depends on agro climatic conditions.
- The company has stressed capital structure on account of low tangible net worth, thin operating profit margin and net profit margin and elongated inventory days.
- Entry barriers in cotton industry are low on account of limited Capital & Technology requirement and low differentiation in end product. This leads to intense competition and limits players' pricing power resulting in low profitability.
- High working capital requirement due to nature of business operations.

Analytical Approach

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

Rating Outlook: Stable

Brickwork Ratings believes that **GRR Industries Private Limited's (**'GIPL' or 'the company') business risk profile will be maintained over 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

GRR Industries Private Limited ('GIPL' or 'the company'), a women entrepreneur entity, was incorporated in June 2008 at Venkatagiri village, Khammam rural, Khammam District, Telangana. GIPL is engaged in Ginning and Pressing of cotton, equipped with automated ginning and pressing machinery with 48 Gins which produces around 15 cotton bales per hour. Smt. G Srilatha and Smt. G Jayasri are the directors of the company. GIPL procure raw cotton directly from farmers, from local Agricultural Produce Market Committee (APMC) and also

through commission agents. The company sells its cotton bales to spinning mills, traders in Tamil Nadu, Andhra Pradesh and Telangana; and cotton seed to oil pressing units and traders in Rajasthan, Maharashtra and Haryana.

Financial Performance

GIPL's revenue remained at Rs. 52.67 crore with a net profit of Rs. 0.43 crore in FY17 as against Rs. 52.88 crore with a net profit of Rs. 0.42 crore in FY16. Tangible net worth was Rs. 3.37 Crore as on 31st March 2017. On a provisional basis, the company reported a revenue of around Rs. 45.75 crore in FY18.

Key Financial Parameters

(Rs. Crore)		FY16	FY17
		Audited	Audited
Revenue	Rs. Cr	52.88	52.67
EBIDTA	Rs. Cr	1.01	1.53
Profit After Tax	Rs. Cr	0.42	0.43
Tangible Net worth	Rs. Cr	2.93	3.37
Total Debt : Tangible Net worth	Times	4.80	3.80
Current Ratio	Times	1.64	1.40

Rating History for the last three years

Sl. No.	Instrument/ Facilities	Current Rating (Year 2018)			Rating History		
		Type	Amount (Rs. Cr)	Ratings	2017[1] (4th July 2017)	2016	2015
1	Open Cash Credit	Long Term	8.00	**BWR BB-** (Outlook: Stable) *Reaffirmed*	**BWR BB-** (Outlook: Stable) *Assigned*	-	-
Total		**Rs. 8.00 Crore (Rupees. Eight Crore Only)**					

1 Amount Rated: Rs. 8.00 Crore

Status of Non-Cooperation with Other CRA: CRISIL Ratings has revised the rating to *'CRISIL B (Outlook: Stable) ISSUER NOT COOPERATING'* on 1st March 2018.

Any other information: Not Applicable

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Manufacturing Companies

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For print and digital media

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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 Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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