

Galaxy Agro Industries Private Limited

July 04, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	51.60	CARE BBB-; Stable	Assigned
Long Term / Short Term Bank Facilities	0.40	CARE BBB-; Stable / CARE A3	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has considered a combined view on the Goel International Private Limited (GIPL), Galaxy Food Industries Private Limited (GFIPL), Galaxy Rice Industries Private Limited (GRIPL) and Galaxy Agro Industries Private Limited (GA IPL) (together known as Group).

The ratings assigned to the bank facilities of GA IPL derives comfort from improved operational performance of the group in FY24 (Refers to period from April 1 to March 31). The ratings derive comfort from group's growing scale of operations and improving profitability while capital structure remains moderate. Moreover, ratings derive strength from experienced management and long track record of operations, established business relationship with customers and suppliers and favourable manufacturing location. The ratings however, remain constrained by the working capital-intensive nature of operations, vulnerability of international trade to changes in government policies, susceptibility of margins to fluctuation in raw materials prices & foreign exchange fluctuations and Competitive & fragmented nature of industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Substantial and sustainable growth in the income with PBILDT margins improving to ~6%
- Overall gearing ratio improving to below 0.75x

Negative factors

- Significant decline in income below Rs.700 crore
- Any further & significant deterioration with PBILDT margin deteriorating to below 2%.
- Any significant increase in Gross Current Asset days above 230 days

Analytical approach:

Combined: CARE has combined the financials of below mentioned entities, factoring in operational and financial synergies between group entities since these entities are into similar line of business and controlled by common promoter with cash flow fungibility among group entities.

1. Goel International Private Limited
2. Galaxy Food Industries Private Limited
3. Galaxy Rice Industries Private Limited
4. Galaxy Agro Industries Private Limited

Outlook: Stable

The "Stable" outlook reflects that the entity is likely to benefit from its established relationship with the customers/suppliers and sustain the moderate financial risk profile with extensive experience of the promoters in this business and established brand name Galaxy.

Detailed description of the key rating drivers:

Key strengths

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Experienced management and long track record of operations

The group is looked after by promoters from same family. Goel International Private Limited & Galaxy Rice Industries Private Limited are promoted by Mr. Vinod Goel, Mr. Vijay Goel, Mr. Krishan Goel. Galaxy Food Industries Private Limited and Galaxy Agro Industries Private Limited are promoted by their sons Mr Munish Goel, Mr Ankul Goel and Mr Vipul Goel collectively. Mr. Vinod Goel, Mr. Vijay Goel and Mr. Krishan Goel has experience of about 35 years, 25 years and 20 years respectively in the rice industry. Goel International Private Limited is the flagship company of the group, engaged in the same line of business since 2000 and the common management team has helped the company to establish business relationships with both suppliers and customers. Furthermore, the promoters are assisted by a team of experienced professionals in managing the company's daily business operations.

Established business relationship with customers and suppliers

Presence of group in the rice industry for over two decade and favourable location of the plant in close proximity to paddy growers in Haryana has led to development of long-term relationships with the suppliers and therefore easy procurement of raw materials. On the customer side, this has enabled the group to establish strong business relationships with its clientele (long standing relationship with some of the clients) in the market, which in turn leads to repeated orders. The top-5 customers accounted for ~20% of the total operating income of the group in FY24 (refers to the period from April 01 2023- March 31, 2024) and ~24% in FY23, leading the group to low customer concentration risk. Furthermore, the group has established relationships with these clients and receives regular orders from them. The association with reputed players provides visibility to group's operations and enhances its image in both domestic and export market.

Growing scale of operations and profitability margins

The scale of operations of the group remained moderate during last 5 years with CAGR of 9%. In FY24, total operating income (TOI) increased by 21% and stood at Rs.1581.77 crores as against Rs.1309.7 crore in FY23. Increase in scale was mainly on account of increase in the price of the rice in the market.

The profitability of group improved during FY24 as reflected by PBILDT and PAT margins of 8.34% (PY:6.16%) and 4.09% (PY: 2.76%) respectively. Profitability of the group improved majorly on account of increase in the price of rice in the market however raw material was procured at lower rates. Further, group has booked gross cash accruals (GCA) of Rs.72.70 crores during FY24 as compared to Rs.44.86 crores during FY23.

Favourable manufacturing location

Group's manufacturing units are located in Taraori district, Karnal (Haryana). The area is one of the hubs for paddy cultivation, leading to its easy availability. Group procures paddy primarily from nearby states of Haryana, Punjab and Uttar Pradesh etc. The presence of group's manufacturing units in vicinity to the paddy producing regions gives it an advantage over competitors in terms of easy availability of the raw material as well as favourable pricing terms. The units are also at a close proximity to the grain market resulting in easy and ample procurement at competitive rates. Further, operating in an established rice belt, the company has access to a large number of small-scale millers whose facilities can be used to meet any temporary demand and production mismatches. The favourable location puts the company in a position to cut on the freight component of incoming raw materials.

Key weaknesses

Working capital intensive nature of operations

Working capital intensity is an inherent characteristic of the rice mills as reflected by low net investment in property, plant & equipment of Rs. 210.21 crores as compared to total capital employed of Rs.995.54 crores as at March 31,2024. Majority of the group's capital is invested in working capital requirements due to seasonal nature of business. The company procurement season is from September to March of the financial year, leading to peak debt outstanding at the end of March.

The average operating cycle of the group remained elongated at ~188 days as on March 31, 2024, on account of high inventory period. Owing to the seasonality of rice harvest, rice shellers have to maintain suitable raw material inventory to ensure uninterrupted production throughout the year. Basmati rice requires longer ageing of the semi-finished rice for better quality which subsequently led to higher inventory period of ~170 days, as on March 31, 2024. From the customers, the group generally receives payment within a period of ~1 month to 2 months. On the raw material procurement side, the company gets a credit period ranging up-to 10 days for paddy procurement and up-to 30 days for rice procurement.

Moderately leveraged capital structure and debt coverage indicators

The capital structure of the group remained at a moderate level with overall gearing ratio at 1.76x, as on March 31, 2024, as compared to 1.65x as on March 31, 2023. Total Outside Liabilities to Networth of the group stood at 1.93x as on March 31, 2024

as against 1.84x as on March 31, 2023 on account of increase in WC utilisation as on March 31, 2024. The interest coverage ratio stood healthy at 3.30x in FY24 as against 3.23x in FY23. Total debt to Gross accruals of the group stood high at 8.72x in FY24 however improved from FY23 i.e. 10.59x on account of the seasonality of rice industry due to which group procures paddy in Q4 leading to high reliance on WC limits in Q4.

Vulnerability of international trade to changes in government policies.

The paddy prices are regulated by the government to safeguard the interest of farmers which limits the bargaining power of rice mills over the farmers. Given the fact that prices for finished products is market determined while the cost of raw material is fixed by Government of India (GoI) through the MSP mechanism, the profitability margins remain vulnerable, especially in times of high paddy cultivation. Therefore, the rice processing sector as a whole is vastly regulated by the GoI and any adverse changes in the regulatory framework could negatively impact rice processing units. Also, the company remains susceptible to changes in import policies of various countries.

Susceptibility of margins to fluctuation in raw materials prices & foreign exchange fluctuations with prospects also dependent on climatic conditions:

Agro-based industry is characterized by its seasonality owing to its dependence on the availability of raw materials, which further varies with different harvesting periods. The price of rice moves in tandem with the prices of paddy. Availability and prices of agro commodities are highly dependent on the climatic conditions. The timing of monsoons has a huge bearing on crop availability which determines the prevailing paddy prices. The profitability margins are therefore susceptible to the risk of any adverse price movement in the raw material prices which have remained fluctuating in the past. Furthermore, Group is engaged in the export of Basmati rice to the Middle East, Canada, Australia, Europe etc., where the primary currency of dealing for the company remains US dollars. This exposes the profitability margins of the company to any adverse movement in the foreign exchange rates. Though the company hedges the exposure by booking forward contracts.

Competitive & fragmented nature of industry coupled with high level of government regulation:

The commodity nature of the product makes the rice processing industry highly fragmented, with numerous players operating in the unorganized sector with very less product differentiation. Furthermore, the concentration of rice millers around the paddy growing regions makes the business intensely competitive.

Liquidity: Adequate

The group has a satisfactory liquidity position with low repayment of term loan i.e. Rs. 4.24 crore as against estimated adequate cash accrual of ~Rs.77.00 crore in FY25. The current ratio stood comfortable and above unity at 1.47x as on March 31, 2024, and since majority of its funds are blocked in inventories due to working capital intensive nature of operations, quick ratio remains below unity at 0.31x as at March 31, 2024. The average working capital utilization of the group remains moderate and stood at 77% during the last 12 months ending May 2024.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Consolidation](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Other Agricultural Products

About Group

Promoted by Goel Family, Galaxy Rice Group consist of 4 companies namely "Goel International Private Limited, Galaxy Food Industries Private Limited, Galaxy Rice Industries Private Limited and Galaxy Agro Industries Private Limited". All these entities

are engaged in the processing of paddy at its manufacturing unit located at Taraori, Karnal, Haryana. Group has installed capacity of 74 MT/Hr as on March 31, 2024.

Combined:

Brief Financials (₹ crore)	March 31, 2022 (UA)	March 31, 2023 (UA)	March 31, 2024 (UA)
Total operating income	944.99	1309.7	1581.77
PBILDT	36.25	80.7	132.00
PAT	20.11	36.18	64.66
Overall gearing (times)	1.18	1.65	1.76
Interest coverage (times)	8.33	3.23	3.3

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

About the company

Galaxy Agro Industries Private Limited (GA IPL) was incorporated in 2019, set up by set up by sons of Mr. Vinod Goel, Mr. Vijay Goel, and Mr. Krishan Goel namely Mr. Munish Goel, Mr. Ankul Goel, and Mr. Vipul Goel. The company is engaged in processing of paddy at its manufacturing unit located at Taraori, Karnal, Haryana having installed capacity of 16 MT/Hr as on March 31, 2024. The main product of the company is Basmati rice only sold under the brand name of Galaxy Golden Rice, Galaxy Jambo Rice, Alnaaz Rice, and Harpal Rice. The company is engaged in 100% processing and milling of rice. Further, the company is engaged in sorting, grading, and polishing of rice. The company is also engaged in selling its by-product- rice bran.

Standalone:

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (Prov.)
Total operating income	0.21	0.16	2.20
PBILDT	0.21	0.14	1.85
PAT	0.21	0.14	0.79
Overall gearing (times)	1.24	1.08	3.43
Interest coverage (times)	NM	NM	1.79

A: Audited; Prov.: Provisional; NM: Not Meaningful; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	41.60	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	September 2031	10.00	CARE BBB-; Stable
Non-fund-based-LT/ST		-	-	-	0.40	CARE BBB-; Stable / CARE A3

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	41.60	CARE BBB-; Stable	-	-	-	-
2	Fund-based - LT-Term Loan	LT	10.00	CARE BBB-; Stable	-	-	-	-
3	Non-fund-based-LT/ST	LT/ST	0.40	CARE BBB-; Stable / CARE A3	-	-	-	-

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based-LT/ST	Simple

Annexure-5: Lender detailsTo view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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