

## Ganpati Foods

October 01, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	28.00	CARE B+; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB-; Stable and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has been seeking information from Ganpati Foods (GF) to monitor the rating(s) vide e-mail communications dated July 24, 2024; July 31, 2024; August 09, 2024; August 21, 2024; September 18, 2024; and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the rating. In line with the extant SEBI guidelines, CARE Ratings has reviewed the ratings on the basis of the best available information which, however, in CARE Ratings' opinion is not sufficient to arrive at a fair rating. The rating of Ganpati Foods bank facilities will now be denoted as CARE B+; Stable; ISSUER NOT COOPERATING\*.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

The ratings have been revised on account of the non-availability of requisite information due to non-cooperation by Ganpati Foods with CARE Ratings' efforts to undertake a review of the ratings outstanding. CARE Ratings views information availability risk as a key factor in its assessment of credit risk. Further, rating is constrained by firm's weak financial profile marked by leveraged capital structure coupled with weak debt coverage indicators and stretched liquidity position. The rating is further constrained by the susceptibility of margins to volatility in raw materials prices, monsoon dependent operations, presence of the firm in a highly competitive and fragmented agro-processing business with a high level of government control, working capital intensive nature of operations, modest albeit growing scale of operations and constitution of entity as a partnership concern. The rating, however, derives strength from the long track record of operations, experienced partners, established business relationships with its customers and favorable manufacturing unit location.

**Analytical approach:** Standalone

### Outlook: Stable

"Stable" outlook reflects CARE Ratings' opinion that Ganpati Foods will continue to derive benefit from its long-standing experience of promoters in the industry.

### Detailed description of key rating drivers:

At the time of last rating on October 06, 2023, the following were the rating strengths and weaknesses.

### Key weaknesses

#### Weak financial risk profile

The capital structure of the firm is leveraged as reflected by an overall gearing of 4.80x as on March 31, 2023 (PY: 6.48x). Slight improvement is observed on account of decreased Warehouse receipts (WHR) limit utilization & increase in capital with ploughing back of profit into business. Debt coverage indicators of the firm are also weak characterized by interest coverage and total debt to gross cash accruals of 1.30x and 26.75x respectively as on March 31, 2023 (PY: 1.17x and 40.86x respectively).

#### Working Capital Intensive nature of operations

The firm has significant dependence on working capital borrowings for its day-to-day operations, thereby leading to working capital intensive nature of operations with operating cycle of 140 days as on March 31, 2023 (PY: 202 days). The firm majorly procures paddy in high quantity during season. Average inventory period remains high around 5-6 months as milling of paddy takes time & basmati rice requires seasoning (storing) as well.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

**Modest albeit growing scale of operations**

The scale of operations of the firm remained modest and has grown at a CAGR of ~8% during FY19 (refers to period April 01 to March 31) to FY23 and stood at ₹143 crore during FY23 (PY: ₹101.80 crore) on account of increase in capacity & sales orders. However, the profit before interest, lease rentals, depreciation and taxation (PBILDT) margin of the firm remained moderate at 4.80% (PY: 5.89%) due to increasing raw material cost, fixed operational costs, freight cost & increasing employee costs.

**Susceptibility to fluctuation in raw material prices and monsoon dependent operations**

Agro-based industry is characterized by its seasonality, due to its dependence on raw materials whose availability is affected directly by the vagaries of nature. 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. Adverse climatic conditions can affect their availability and leads to volatility in raw material prices. Paddy being the major raw material is harvest during June to September, and the peak paddy procurement season is generally during second half of the financial year. Therefore, firm is bound to build up raw material inventory to cater to the milling and processing of rice throughout the year which is reflected by the high working capital utilization during second half of financial year coupled with high inventory holding on balance sheet date. The monsoon has a huge bearing on crop availability which determines the prevailing paddy prices. Since there is a long-time lag between raw material procurement and liquidation of inventory, the firm is exposed to the risk of adverse price movement resulting in lower realization than expected. The surge in unexpected demand has to be met by procuring semi processed rice from smaller rice millers which may also increase the average cost of raw materials.

**Regulatory risk with highly competitive and fragmented nature of the industry**

The commodity nature of the product makes the industry highly fragmented with numerous players operating in the unorganized sector with very less product differentiation. The raw material (paddy) prices are regulated by government to safeguard the interest of farmers, which in turn limits the bargaining power of the rice mills.

**Constitution of entity as a partnership concern**

The constitution of the entity being a partnership firm has the inherent risk of possibility of withdrawal of the partner's capital at the time of personal contingency and the firm being dissolved upon death/retirement/insolvency of a partner. Moreover, partnership firms have restricted access to external borrowing as credit worthiness of partner would be one of the key factors affecting credit decision of the lenders. However, the partners have infused additional capital amounting to ₹0.62 crore in FY23 (PY: ₹0.46 crore). Further, the promoters and related parties has also provided support in form of unsecured loans amounting to ₹1.83 crore as on March 31, 2023, to support the operations of the firm.

**Key strengths****Established business relationships with customers and suppliers**

Presence of the firm in rice industry is for ~15 years and a favorable location of the plant in close proximity to paddy growers in Punjab have led to development of long-term business relationships with the suppliers and therefore, easy procurement of raw materials. On the customer side, this has enabled the firm to establish relationships with its clientele (long standing relationship of more than 10 years with some of the clients) in the domestic market, which in turn leads to repeat orders.

**Favorable manufacturing location**

Firm's manufacturing unit located in Patran, Punjab. The area is one of the hubs for paddy/rice, leading to its easy availability. The unit is also at a proximity to the grain market resulting in procurement of paddy at competitive rates. The presence of GF 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 favorable pricing terms. The favorable location also puts the firm in a position to cut on the freight component of incoming raw materials.

**Assumptions/Covenants:** Not Applicable

**Environment, social, and governance (ESG) risks:** Not Applicable

**Applicable criteria**

[Definition of Default](#)

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

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

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[Financial Ratios – Non financial Sector](#)
**About the company and industry**
**Industry classification**

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Other Agricultural Products

Ganpati Foods is a partnership firm constituted in 2008. Currently, the firm has three partners - Kewal Krishan, Om Parkash Bansal and Yashu Bansal. The firm is engaged in the processing of paddy to basmati rice and is also engaged in the selling of the by-products in the process, including bardana, bran, husk, etc. The firm operates at its single manufacturing facility in Patran, Punjab with an installed capacity of 14TPH (tons per hour). The firm caters to the domestic market through a network of distributors and wholesalers located all over India. The firm also sells rice under its own brand names- 'Patiala Gate' 'KK' and 'GF 298'.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	101.80	143.00	NA
PBILDT	6.00	6.86	NA
PAT	1.01	1.37	NA
Overall gearing (times)	6.48	4.80	NA
Interest coverage (times)	1.17	1.30	NA

A: Audited UA: Unaudited; NA: Not Available; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	31-03-2029	3.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Working Capital Limits		-	-	-	25.00	CARE B+; Stable; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

**Annexure-2: Rating history for 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-Working Capital Limits	LT	25.00	CARE B+; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB-; Stable (06-Oct-23)	1)CARE B; Stable; ISSUER NOT COOPERATING * (26-Dec-22)	1)CARE B+; Stable; ISSUER NOT COOPERATING * (25-Oct-21)
2	Fund-based - ST-Working Capital Limits	ST	-	-	-	1)Withdrawn (06-Oct-23)	1)CARE A4; ISSUER NOT COOPERATING * (26-Dec-22)	1)CARE A4; ISSUER NOT COOPERATING * (25-Oct-21)
3	Fund-based - LT-Term Loan	LT	3.00	CARE B+; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB-; Stable (06-Oct-23)	-	-

\*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term

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

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT-Working Capital Limits	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

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

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### About us:

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