

## Ganpati Foods

October 25, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	18.00	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	10.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>28.00</b> <b>(Rs. Twenty-Eight Crore Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale and key rating drivers

CARE has been seeking information from Ganpati Foods to monitor the rating vide e-mail communications dated August 2, 2021, July 12, 2021, July 07, 2021 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Ganpati Foods bank facilities will now be denoted as CARE B+; Stable/ CARE A4; 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 assigned to the bank facilities of Ganpati Foods (GF) continue to be constrained by its weak overall solvency position, modest scale of operations and stretched liquidity position. The ratings are further constrained by the susceptibility of margins to volatility in raw materials prices, monsoon dependent operations and presence of the firm in a highly competitive and fragmented agro-processing business with a high level of government control. The ratings, however, derive strength from the long track record of operations, experienced promoters, improved PBILDT margins in FY20 (refers to the period from April 01 to March 31), established business relationships with its customers and favourable manufacturing location.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

##### Modest scale of operations with weak overall solvency position:

The scale of operations of the firm remained modest and almost at the same level in FY20. In 7MFY21 (Prov.), the firm has achieved a total operating income of Rs.46.32 cr. The overall solvency position of the firm continued to remain weak owing to the nature of the business wherein high reliance is there on the external working capital borrowings to fund the operational requirements (procurement and ageing of paddy). The long-term debt to equity ratio and overall gearing stood at 7.23x and 8.30x, respectively, as on March 31, 2020 (PY: 7.20x and 12.14x respectively). The overall gearing ratio improved mainly on account of capital infusion by the partners, which led to higher net worth in FY20. The total debt to GCA ratio also remained weak at 43.76x, as on March 31, 2020, which deteriorated marginally from 42.43x as on March 31, 2019 on account of higher total debt outstanding at the end of the year. The interest coverage ratio stood at 1.27x in FY20, which declined slightly from 1.35x in FY19, on account of higher interest costs incurred during FY20.

##### Raw material price volatility 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. 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.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

\*Issuer did not cooperate; Based on best available information

**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 millers.

**Key Rating Strengths****Experienced promoters:**

The operations of the firm are currently being managed by its three partners; Mr. Kewal Krishan Bansal (Managing partner), Mr. Vijay Kumar, who have an experience of ~3 decades each and Mr. Yashu bansal (S/o Mr. Kewal Krishan Bansal) who has an experience of ~4 years in the industry. The partners are assisted by a team of professionals who are highly experienced in their respective domains. The long track record of operations has enabled the firm to establish strong business relationships with its clients and suppliers. The promoters of the firm are resourceful and have been infusing funds in the firm over the years. The promoters have infused additional capital amounting to Rs.1.33 cr., in FY20 to support the operations of the business. Further, additional unsecured loans amounting to Rs.2.99 cr. have also been infused by the promoters and related parties in FY20, to support various business requirements of the firm.

**Improved PBILDT margins in FY20:**

The PBILDT margins of the firm improved to 5.25% in FY20 from 4.44% in FY19. This was mainly on the back of relatively lower raw material prices incurred by the firm.

**Established business relationships with customers and suppliers:**

Presence of GF in the rice industry for around a decade 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 around ~10 years with some of the clients) in the domestic market, which in turn leads to repeat orders. In FY20, income from top-5 customers contributed ~16% (~26% in FY19) of the total operating income, with the top customer contributing only ~5% of the total income during FY20, leading to client diversification during the year.

**Favorable manufacturing location:**

GF's manufacturing unit is 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 close 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.

**Liquidity: Stretched**

The operating cycle of the firm stood elongated but improved slightly on a y-o-y basis to ~193 days, as on March 31, 2020 (PY: ~201 days). The average utilization of the cash credit limit remained high at ~87% for the past twelve month period ended October, 2020, with the firm also availing ad-hoc limits from time-to-time. The current ratio and quick ratios of the firm stood moderate at 1.89x and 1.28x respectively, as on March 31, 2020 (PY: 2.26x and 0.45x, respectively). The quick ratio stood low as compared to the current ratio owing to the high level of inventory the firm has to keep for the smooth operations throughout the year (in-line with the nature of the business). The firm had low free cash and bank balance of Rs.0.18 Cr. as on March 31, 2020 (PY: Rs. 0.82 cr.). GF had not availed moratorium from the bank in light of COVID19. The firm has no external term debt obligation in FY21 and no plans for any capex in the near future.

**Analytical Approach:** Standalone**Applicable Criteria**

[Policy in respect of Non-cooperation by issuer](#)  
[Criteria on assigning 'Outlook' and 'credit watch' to Credit Ratings](#)  
[CARE's Policy on Default Recognition](#)  
[CARE's methodology for manufacturing companies](#)  
[Financial ratios – Non-Financial Sector](#)  
[Liquidity analysis of non-financial sector entities](#)

**About the Firm**

Ganpati Foods (GF) is a partnership firm constituted in 2008. Currently, the firm has three partners - Mr. Kewal Krishan, Mr. Om Parkash Bansal and Mr. Yashu Bansal sharing profit/loss in the ratio 33.33% each. 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., since the commencement of its operations in 2009. The firm operates at its single manufacturing facility in Patran,

Punjab with an installed capacity of 6TPH (tonnes per hour). The firm caters to the domestic market through a network of distributors and wholesalers located all over India.

(Rs. In crore)

Brief Financials (Rs. crore)	31-03-2019 (A)	31-03-2020 (A)
Total operating income	105.29	106.08
PBILDT	4.67	5.57
PAT	0.88	0.91
Overall gearing (times)	12.14	8.31
Interest coverage (times)	1.35	1.27

A: Audited

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

#### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Working Capital Limits		-	-	-	18.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - ST-Working Capital Limits		-	-	-	10.00	CARE A4; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; Based on best available information

#### Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Working Capital Limits	LT	18.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (04-Dec-20)	1)CARE BB-; Stable (27-Dec-19)	1)CARE BB-; Stable (05-Dec-18)
2	Fund-based - ST-Working Capital Limits	ST	10.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (04-Dec-20)	1)CARE A4 (27-Dec-19)	1)CARE A4 (05-Dec-18)

\*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

#### Annexure 4: Complexity level of various instruments rated for this company/firm

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Working Capital Limits	Simple
2	Fund-based - ST-Working Capital Limits	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

#### Disclaimer

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**