

Ganesh Grains Limited

March 18, 2019

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	86.18	CARE BBB+; Stable; ISSUER NOT COOPERATING* [Triple B Plus; Outlook: Stable; ISSUER NOT COOPERATING*]	Issuer not cooperating; Revised from CARE A-; Stable (Single A Minus; Outlook: Stable) on the basis of best available information
Short-term Bank Facilities	3.75	CARE A2; ISSUER NOT COOPERATING* (A Two ; ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE A2+ (A Two Plus); Based on best available information
Total	89.93 (Rupees Eighty Nine crore Ninety Three lakh Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Ganesh Grains Limited (GGL) to monitor the ratings vide email communications dated October 03, 2018, November 28, 2018, January 29, 2019, February 15, 2019, February 20, 2019 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 best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, GGL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement.

The rating on GGL's bank facilities will now be denoted as **CARE BBB+; Stable/ CARE A2; 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 ratings.

The ratings assigned to the bank facilities of GGL have been revised on account of absence of substantial information, i.e. operational and financial performance leading to inability to assess the credit profile of the company.

The ratings continues to derive strength from the rich experience of the promoters with long track record, wide product portfolio under the brand "Ganesh", strong distribution network, satisfactory financial performance in FY18 (refers to the period from April 01 to March 31), improvement in capital structure in FY18, satisfactory collection period and improvement in geographical sales concentration risk. The ratings however continue to be constrained by the moderate working capital intensive nature of operations, vagaries of nature for raw material availability and highly fragmented and competitive industry.

The ability of the company to expand its 'Brand' presence and penetrate in different geographies leading to improved market share and improving its profitability margin while maintaining comfortable capital structure would remain the key rating sensitivities.

Detailed description of the key rating drivers

At the time of last rating on April 06, 2018, the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies):

Key Rating Strengths

Rich experience of the promoters with long track record

Mr. Purshottam Das Mimani has around six decades of experience in the industry and under his stewardship, GGL has grown manifold and is currently one of the leading manufacturers of wheat products in Eastern India. Later, Mr. Manish Mimani (son of Mr Purshottam Das Mimani) continued with the organic growth and added five more manufacturing facilities, with four being in West Bengal and one in Andhra Pradesh. Motilal Oswal Private Equity Advisors Private Limited (MOPE), the new investor in GGL during FY17, is a private equity and venture capital arm of Motilal Oswal Financial Services Ltd. The day to day operations of the company are looked after by Mr Purshottam Das Mimani and Mr. Manish Mimani.

Wide product portfolio

Over the years of operations, the company gradually shifted to manufacturing and widened its product portfolio by adding various product categories. Currently, the product profile of the company includes Atta (Whole Wheat Flour), Besan (Gram Flour), Maida (Refined Wheat flour), Sattu (roasted Gram Flour), Sujee (Semolina), Dalia (Porridge) and

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

others (consists of rice, instant mixes, powder and cereals). The company markets all its products under the brand name “Ganesh” and in the wholesale market it has also launched its product under the brand “Eighty-Eight”.

Strong brand image

The company enjoys a strong brand image in West Bengal. It’s a renowned brand in Atta, Maida and Sujee segment. The company has tied up with various online players like Amazon, Grofers, Big Basket, etc. for sale of its products.

Strong network of distributors

GGL has strong network of distributors (about 576 in number for India). The distributors supply to 33,427 retail outlets in West Bengal and 14,838 retail outlets outside West Bengal. GGL also has two warehouses in West Bengal having a total storage capacity of 86,500 MT.

The company has also appointed Area Sales Manager in Odisha, Jharkhand, Bihar, North-East India, North Bengal & South Bengal, which would help the company to increase sales penetration.

Satisfactory financial performance in FY18

The total operating income of the company declined by 10% in FY18 vis-a-vis FY17 mainly on account of levy of Goods & Service Tax (GST) implementation of 5% imposed by the Government on branded food grain products along with de-stocking of material by the retailers and distributors post implementation of GST, which impacted the sale in Q1FY18 and July 2017. The operating margin of the company deteriorated in FY18 vis-à-vis FY17 on account of de-stocking of material by the retailers and distributors along with increase in raw material prices. However, the PAT margin witnessed an improvement from 1.66% in FY17 to 2.74% in FY18 on account of decrease in interest cost of the company due to decline in total debt. GGL earned cash accrual of Rs.28.55 crore in FY18 vis-à-vis debt repayment of Rs.5.76 crore.

Improvement in capital structure in FY18

The debt equity and overall gearing ratio of the company improved to 0.09x and 0.21x as on March 31, 2018 vis-à-vis 0.15x and 0.95x as on March 31, 2017 respectively, on account of repayment of term debt obligation coupled with lower working capital out-standing as on March 31, 2018 vis-à-vis March 31, 2017 and accretion of profit to reserves. The decline in working capital borrowing as on March 31, 2018 vis-à-vis March 31, 2017 was on account of repayment of buyer’s credit limit which was availed for import of wheat. The TDGCA of the company improved from 5.61x as on March 31, 2017 to 1.11x as on March 31, 2018.

Satisfactory collection period

GGL generally sells its products against advance to distributors, which forms a major portion of the total gross sales. It provides a credit period to the farmers, the biscuit atta it sells to the companies/institutions, sell to army command and modern retails. However, majority of the sale took place through distributors, who paid in advance. Accordingly, the average collection period of the company stood low at 4-11 days in the past 3 years (FY16-FY18).

Key Rating Weaknesses

Moderate geographical concentration risk

In FY17, the contribution of revenue of GGL from WB has declined to 68.1% from 75.4% of gross sales in FY16. The company has been able to penetrate the Southern Market and other regions, which is visible in the form of increase in the revenue share in FY17 vis-à-vis FY16. Hyderabad and the army (Eastern and Southern command) contributed around 25.3% of sales in FY17 vis-à-vis 19.5% in FY16.

Working capital intensive nature of operations

The operating cycle improved slightly from 71 days in FY17 to 67 days in FY18 with improvement in average inventory days from 68 days in FY17 to 62 days in FY18. The creditor’s period also witnessed improvement from 3 days in FY17 to 6 days in FY18. However, the average collection period deteriorated slightly from 6 days in FY17 to 11 days in FY18.

Exposed to vagaries of nature for raw material availability

Wheat is a ‘Rabi’ crop and is cultivated between November to April. The water that has percolated in the ground during the rains is the main source of water for these crops. So, heavy rain is good for Rabi crops. The output is highly dependent on the monsoon and the availability of raw material can be impacted in case of deficit/excessive rainfall.

Highly fragmented and competitive industry

The industry segment (milling products) is characterized by presence of large number of small players competing with few organised players. Most of the wheat product processors in the country are smaller players operating in their niche areas.

Analytical Approach: Consolidated

GGL has two wholly owned subsidiaries; Gobardhan Agri Flour Mills Private Limited (GAFMPL) in Agra & Shree Venkatesh Agro Foods Private Limited, whose financials has been consolidated in view of financial linkages between the companies and same line of business.

Applicable Criteria

[Policy in respect of Non- Cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

Incorporated in 1936, as a proprietorship firm by Late Shri Brij Mohan Mimani, Ganesh Flour Mills commenced operations by trading of varieties of wheat products. Over the years of operations, the company gradually started manufacturing and widened its product portfolio by adding various product categories. Currently, the product profile of the company includes Atta (Whole Wheat Flour), Besan (Gram Flour), Maida (Refined Wheat flour), Sattu (roasted Gram Flour), Sujee (Semolina), Dalia (Porridge) and others (consists of rice, instant mixes, powder and cereals). Further, the company also manufactures and sells packaged foods (mainly Khaman Dhokla & Mixed idli).

MOPE Investment Advisors Private Limited (MOPE) through its India Business Excellence Fund – II and India Business Excellence Fund – IIA, had bought around 25.71% stake in GGL in October 2016 for Rs.100 crore, of which Rs.60 crore was infused in GGL in the form of fresh allotment of equity shares.

Brief Financials (Rs. Crore)	FY17 (A)	FY18 (A)
Total Operating Income	597.87	536.63
PBILDT	42.35	32.65
PAT	9.92	14.71
Overall gearing (times)	0.95	0.21
Interest coverage (times)	3.07	7.32

A: Audited

Status of non-cooperation with previous CRA:

CRISIL has suspended the ratings assigned to Ganesh Grains Limited on December 09, 2015 due to CRISIL's inability to carry out a rating surveillance in the absence of the requisite information from the company.

ACUITE has conducted the review based on the basis of best available information with continuation of the rating of GGL as "Non-cooperating" vide its Press release dated October 08, 2018.

Any other information: Nil

Rating History (Last three years): Please refer Annexure-2

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact

Name: Ms. Richa Bagaria

Tel: 033-4018 1653

Cell: +91 99034 70650

Email: richa.jain@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	Sept. 2022	14.93	CARE BBB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A-; Stable on the basis of best available information
Fund-based - LT-Cash Credit	-	-	-	45.00	CARE BBB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A-; Stable on the basis of best available information
Non-fund-based - ST-Letter of credit	-	-	-	2.75	CARE A2; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A2+ on the basis of best available information
Non-fund-based - LT-Letter of credit	-	-	-	3.25	CARE BBB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A-; Stable on the basis of best available information
Non-fund-based - LT-Bank Guarantees	-	-	-	23.00	CARE BBB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A-; Stable on the basis of best available information
Non-fund-based - ST-Forward Contract	-	-	-	1.00	CARE A2; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A2+ on the basis of best available information

*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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	14.93	CARE BBB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A-; Stable on the basis of best available information	1)CARE A-; Stable (06-Apr-18)	-	1)CARE A-; Stable (13-Jan-17)	1)CARE BBB+ (30-Mar-16)
2.	Fund-based - LT-Cash Credit	LT	45.00	CARE BBB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A-; Stable on the basis of best available information	1)CARE A-; Stable (06-Apr-18)	-	1)CARE A-; Stable (13-Jan-17)	1)CARE BBB+ (30-Mar-16)
3.	Non-fund-based - ST-Letter of credit	ST	2.75	CARE A2; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A2+ on the basis of best available information	1)CARE A2+ (06-Apr-18)	-	1)CARE A2+ (13-Jan-17)	1)CARE A2 (30-Mar-16)
4.	Non-fund-based - LT-Letter of credit	LT	3.25	CARE BBB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A-; Stable on the basis of best available information	1)CARE A-; Stable (06-Apr-18)	-	1)CARE A-; Stable (13-Jan-17)	1)CARE BBB+ (30-Mar-16)
5.	Fund-based - LT-Working Capital Limits	LT	-	-	1)Withdrawn (06-Apr-18)	-	1)CARE A-; Stable (13-Jan-17)	1)CARE BBB+ (30-Mar-16)
6.	Non-fund-based - LT-Bank Guarantees	LT	23.00	CARE BBB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A-; Stable on the basis of best available information	1)CARE A-; Stable (06-Apr-18)	-	1)CARE A-; Stable (13-Jan-17)	1)CARE BBB+ (30-Mar-16)
7.	Non-fund-based - ST-Forward Contract	ST	1.00	CARE A2; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A2+ on the basis of best available information	1)CARE A2+ (06-Apr-18)	-	1)CARE A2+ (13-Jan-17)	-
8.	Fund-based - LT-Proposed fund based limits	LT	-	-	1)Withdrawn (06-Apr-18)	-	1)CARE A-; Stable (13-Jan-17)	-

*Issuer did not cooperate; based on best available information

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
 Cell: + 91 98190 09839
 E-mail: meenal.sikchi@careratings.com

Ms. Rashmi Narvankar
 Cell: + 91 99675 70636
 E-mail: rashmi.narvankar@careratings.com

Mr. Ankur Sachdeva
 Cell: + 91 98196 98985
 E-mail: ankur.sachdeva@careratings.com

Mr. Saikat Roy
 Cell: + 91 98209 98779
 E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Deepak Prajapati
 32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015
 Cell: +91-9099028864
 Tel: +91-79-4026 5656
 E-mail: deepak.prajapati@careratings.com

BENGALURU

Mr. V Pradeep Kumar
 Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.
 Cell: +91 98407 54521
 Tel: +91-80-4115 0445, 4165 4529
 Email: pradeep.kumar@careratings.com

CHANDIGARH

Mr. Anand Jha
 SCF No. 54-55,
 First Floor, Phase 11,
 Sector 65, Mohali - 160062
 Chandigarh
 Cell: +91 85111-53511/99251-42264
 Tel: +91-0172-490-4000 / 01
 Email: anand.jha@careratings.com

CHENNAI

Mr. V Pradeep Kumar
 Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.
 Cell: +91 98407 54521
 Tel: +91-44-2849 7812 / 0811
 Email: pradeep.kumar@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
 T-3, 3rd Floor, Manchester Square
 Puliakulam Road, Coimbatore - 641 037.
 Tel: +91-422-4332399 / 4502399
 Email: pradeep.kumar@careratings.com

HYDERABAD

Mr. Ramesh Bob
 401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.
 Cell : + 91 90520 00521
 Tel: +91-40-4010 2030
 E-mail: ramesh.bob@careratings.com

JAIPUR

Mr. Nikhil Soni
 304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.
 Cell: +91 – 95490 33222
 Tel: +91-141-402 0213 / 14
 E-mail: nikhil.soni@careratings.com

KOLKATA

Ms. Priti Agarwal
 3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.
 Cell: +91-98319 67110
 Tel: +91-33- 4018 1600
 E-mail: priti.agarwal@careratings.com

NEW DELHI

Ms. Swati Agrawal
 13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.
 Cell: +91-98117 45677
 Tel: +91-11-4533 3200
 E-mail: swati.agrawal@careratings.com

PUNE

Mr. Pratim Banerjee
 9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.
 Cell: +91-98361 07331
 Tel: +91-20- 4000 9000
 E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691