

Ganesh Grains Limited

April 06, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	86.18 (reduced from 148.42)	CARE A-; Stable (Single A Minus; Outlook: Stable)	Reaffirmed
Short-term Bank Facilities	3.75	CARE A2+ (A Two Plus)	Reaffirmed
Total	89.93 (Rs. Eighty Nine crore and Ninety Three lakh only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Ganesh Grains limited (GGL) continue to derive comfort from the rich experience of the promoters with long track record, wide product portfolio under the brand “Ganesh”, strong distribution network, satisfactory financial performance marked by healthy growth in turnover, albeit further moderation in PBILDT margin in FY17 (refers to the period April 01 to March 31) & 9MFY18, satisfactory capital structure and collection period. The ratings, however, continue to be constrained by the working capital intensive nature of operations, vagaries of nature for raw material availability, moderate geographic concentration risk 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

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 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 with healthy growth in turnover albeit declining operating margin in FY17 and 9MFY18

Net sales of the company grew by 25% in FY17 vis-à-vis FY16 on the back of increase in sales realization of all finished products coupled with increase in sales volume of atta, maida and sujee. Though the operating profit of the company improved, operating margin of the company declined in FY17 vis-à-vis FY16, mainly on account of increase in sales to army canteen, higher trading sales and greater focus on selling & distribution. Higher PBILDT level along with decline in the capital charge led to improvement in the PAT level and margin in FY17 vis-à-vis FY16. The company earned a GCA of Rs.23.22 crore vis-à-vis debt repayment of Rs.11.84 crore in FY17.

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

In 9MFY18, the company's total operating income stood at Rs.402.31 crore. The operating margin remained moderate at 7% in 9MFY18.

Comfortable capital structure and debt protection metrics

The debt equity ratio of the company improved as on March 31, 2017 vis-à-vis March 31, 2016 on account of infusion of equity of funds by MOPE and prepayment of term loan & repayment of unsecured loan in FY17. The overall gearing ratio of the company improved on the back of infusion of funds despite increase in the buyer's credit utilization on account of import of 50,000 MT of wheat during FY17. However, the overall gearing ratio of the company improved and stood at 0.22x as on December 31, 2017 vis-à-vis 0.95x as on March 31, 2017 on the back of repayment of buyers credit limit, gradual repayment of term debt obligation and accretion of profit to reserves.

The PBILDT interest coverage of the company improved and stood at 3.07x in FY17 vis-à-vis 2.76x in FY16. The same further improved and stood at 7.47x in 9MFY18 on account of reduction in interest cost. Total debt to GCA of the company deteriorated stood at 5.61x as on March 31, 2017 vis-à-vis 5.29x as on March 31, 2016 on the back of avilment of buyer's credit limit for import of wheat.

Total debt to GCA improved and stood at 1.22x as on Dec. 31, 2017. In absence of significant debt funded capex in future, the capital structure and debt protection metrics is expected to remain comfortable.

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 4-6 days in the past 3 years (FY15-FY17).

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 of the company deteriorated in FY17 and stood at 71 days vis-à-vis 52 days in FY16. The deterioration in the operating cycle was mainly on account of increase in the inventory stock as GGL imported around 50,000 MT of wheat. The company generally provides a credit period of 6 days vis-à-vis credit period of 3 days from its suppliers. However, the company was able to manage its working capital effectively with average working capital utilisation of the company at 30% for the past 12 months ending December 2017.

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

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

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

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

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

About the Company

Incorporated in 1936, as a proprietorship firm by Late Mr 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), which contributed about 6.7% of the total sales in FY17.

MOPE, through its India Business Excellence Fund – II and India Business Excellence Fund – IIA, had bought around 25.71% stake in Ganesh Grains Ltd., in Oct. 2016 for Rs.100 crore, of which Rs.60.0 crore has been infused in GGL in the form of fresh allotment of equity shares.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	480.07	597.87
PBILDT	38.80	42.35
PAT	5.66	9.92
Overall gearing (times)	1.52	0.95
Interest coverage (times)	2.76	3.07

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.

SMERA has conducted the review based on the basis of best available information and has classified Ganesh Grains Limited as "Non-cooperating" vide its Press release dated May 15, 2017.

Any other information:

Not Applicable

Rating History for 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.

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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 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-Cash Credit	-	-	-	45.00	CARE A-; Stable
Fund-based - LT-Term Loan	-	-	Sep-2022	14.93	CARE A-; Stable
Non-fund-based - LT-Bank Guarantees	-	-	-	23.00	CARE A-; Stable
Non-fund-based - LT-Letter of credit	-	-	-	3.25	CARE A-; Stable
Fund-based - LT-Proposed fund based limits	-	-	-	0.00	Withdrawn
Fund-based - LT-Working Capital Limits	-	-	-	0.00	Withdrawn
Non-fund-based - ST-Forward Contract	-	-	-	1.00	CARE A2+
Non-fund-based - ST-Letter of credit	-	-	-	2.75	CARE A2+

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
1.	Fund-based - LT-Term Loan	LT	14.93	CARE A-; Stable	-	-	1)CARE A-; Stable (13-Jan-17)	1)CARE BBB+ (30-Mar-16)
2.	Fund-based - LT-Cash Credit	LT	45.00	CARE A-; Stable	-	-	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+	-	-	1)CARE A2+ (13-Jan-17)	1)CARE A2 (30-Mar-16)
4.	Non-fund-based - LT-Letter of credit	LT	3.25	CARE A-; Stable	-	-	1)CARE A-; Stable (13-Jan-17)	1)CARE BBB+ (30-Mar-16)
5.	Fund-based - LT-Working Capital Limits	LT	-	Withdrawn	-	-	1)CARE A-; Stable (13-Jan-17)	1)CARE BBB+ (30-Mar-16)
6.	Non-fund-based - LT-Bank Guarantees	LT	23.00	CARE A-; Stable	-	-	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+	-	-	1)CARE A2+ (13-Jan-17)	-
8.	Fund-based - LT-Proposed fund based limits	LT	-	Withdrawn	-	-	1)CARE A-; Stable (13-Jan-17)	-

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