

**Ganesh Grains Limited**  
**July 01, 2020**

**Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long-term Bank Facilities	86.18	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B plus; Outlook: Stable ISSUER NOT COOPERATING)	Issuer not cooperating; Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable) Based on best available information
Short-term Bank Facilities	3.75	CARE A4+; ISSUER NOT COOPERATING* (A Four Plus ISSUER NOT COOPERATING)	Issuer not cooperating; Revised from CARE A3 (A Three); Based on best available information
<b>Total</b>	<b>89.93</b> <b>(Rupees Eighty Nine crore</b> <b>Ninety Three lakh Only)</b>		

*Details of facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

CARE had, vide its press release dated December 31, 2019, placed the rating(s) of Ganesh Grains Limited (GGL) under the 'issuer non-cooperating' category as GGL had failed to provide information for monitoring of the rating and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. GGL continues to be non-cooperative despite repeated requests for submission of information through phone calls and email dated June 24, 2020. 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.

**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 revision in the rating is pursuant to Securities and Exchange Board of India (SEBI)'s circular no. SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dated January 3, 2020, regarding 'Strengthening of the rating process in respect of Issuer Non-Cooperation (INC) ratings'. SEBI has in this circular mentioned that "If an issuer has all the outstanding ratings as non-cooperative for more than 6 months, then the CRA shall downgrade the rating assigned to the instrument of such issuer to non-investment grade with INC status."

**Detailed description of the key rating drivers**

At the time of last rating on December 31, 2019, 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

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://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 with healthy growth in turnover albeit declining operating margin in FY17 and 9MFY18**

Operating Income of the company declined by around 10% in FY18 vis-à-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 destocking 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 destocking of material by the retailers and distributors along with increase in raw material prices. Higher decline in the interest cost vis-à-vis PBILDT level, has led to improvement in the PAT margin in FY18. The decline in interest cost was on account of prepayment of term loan GGL and lower utilisation of working capital limits. GGL earned cash accrual of Rs.28.55 crore in FY18 vis-à-vis debt repayment of Rs.5.76 crore. Financial performance of the company improved in H1FY19 vis-à-vis H1FY18 marked by improvement in profitability level and margins of the GGL. The operating income of the company declined by around 6% in H1FY19 vis-à-vis H1FY18. The operating margin of the company improved on back of improvement in the sales realization of its products. The PBILDT and PAT margin stood at 9.60% & 4.62% in H1FY19 vis-à-vis 6.71% & 2.06% in H1FY18.

*During FY19, the total operating income of GGL declined (~11% y-o-y) from Rs.536.63 crore in FY18 to Rs.476.55 crore in FY19. The company reported PAT of Rs.10.33 crore in FY19 vis-à-vis PAT of Rs.14.71 crore in FY18.*

#### **Comfortable capital structure and debt protection metrics**

The debt equity ratio of the company improved as on March 31, 2018 vis-à-vis March 31, 2017 on account of infusion of equity of funds by MOPE and prepayment of term loan and repayment of unsecured loan in FY17. The overall gearing ratio of the company improved on the back of infusion of funds as on March 31, 2018 vis-à-vis March 31, 2017. However, the overall gearing ratio of the company improved and stood at 0.22x as on March 31, 2018 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 7.32x in FY18 vis-à-vis 3.07x in FY17. Total debt to GCA of the company deteriorated and stood at 1.11x as on March 31, 2018 vis-à-vis 5.61x as on March 31, 2017 on the back of avilment of buyer's credit limit for import of wheat.

*Capital structure continued to remain satisfactory with nil term debt borrowings as on March 31, 2019. Overall gearing ratio and Total Debt/ GCA improved from 0.21 times and 1.11 times as on March 31, 2018 to 0.06 times and 0.41 times respectively as on March 31, 2019 due to repayment of term debts and accretion of profits to reserve. This apart the company has sufficient free cash and liquid investments of Rs.19.74 crore (including Rs.16.01 crore as investments in mutual funds)*

#### **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 63 days in FY18 and 71 days in FY17 .The Company provides a credit period of 11 days vis-à-vis it receives a credit period of 6 days from its suppliers. However, the average maximum working capital limit utilization of the company remained high at about 53% over the past 12 months ending Dec. 2018.

### 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:** 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 and Credit watch 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). The company has eight manufacturing units, five located in West Bengal along with two warehouses in West Bengal (total storage capacity of 86,500 MT), one in Andhra Pradesh (commenced from 2015), one being in Agra & the other being in Varanasi. The manufacturing facilities are having an aggregate capacity of around 1400 Tonne per day (TPD) for the various wheat products.

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)	FY18 (A)	FY19 (A)
Total operating income	536.63	476.55
PBILD	32.65	31.43
PAT	14.71	17.82
Overall gearing (times)	0.21	0.08
Interest coverage (times)	7.32	28.32

A: Audited

### Status of non-cooperation with previous CRA:

ACUITE BB+/ACUITE A4+ Issuer Not Cooperating category based on best available information vide Press Release dated December 12, 2019.

**Any other information:** Not Available

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

**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	-	-	-	14.93	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Fund-based - LT-Cash Credit	-	-	-	45.00	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Non-fund-based - ST-Letter of credit	-	-	-	2.75	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3; ISSUER NOT COOPERATING* on the basis of best available information
Non-fund-based - LT-Letter of credit	-	-	-	3.25	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Non-fund-based - LT-Bank Guarantees	-	-	-	23.00	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Non-fund-based - ST-Forward Contract	-	-	-	1.00	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3; ISSUER NOT COOPERATING* on the basis of 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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	14.93	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BBB-; Stable; ISSUER NOT COOPERATING* (31-Dec-19)	1)CARE BBB+; Stable; ISSUER NOT COOPERATING* (18-Mar-19) 2)CARE A-; Stable (06-Apr-18)	-
2.	Fund-based - LT-Cash Credit	LT	45.00	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BBB-; Stable; ISSUER NOT COOPERATING* (31-Dec-19)	1)CARE BBB+; Stable; ISSUER NOT COOPERATING* (18-Mar-19) 2)CARE A-; Stable (06-Apr-18)	-
3.	Non-fund-based - ST-Letter of credit	ST	2.75	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE A3; ISSUER NOT COOPERATING* (31-Dec-19)	1)CARE A2; ISSUER NOT COOPERATING* (18-Mar-19) 2)CARE A2+ (06-Apr-18)	-

**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.

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