

## Press Release

**Shri Ganesh Enterprises (SGE)**

**15 February, 2018**



**Rating Reaffirmed**

<b>Total Bank Facilities Rated</b>	Rs. 8.50 Cr.
<b>Long Term Rating</b>	SMERA B+/Stable (Reaffirmed)
<b>Short Term Rating</b>	SMERA A4 (Reaffirmed)

*\*Annexure*

SMERA has reaffirmed the long term rating of **SMERA B+/Stable (read as SMERA B plus)** and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 8.50 crore bank facilities of 'Shri Ganesh Enterprises' (SGE). The outlook is '**Stable**'.

SGE, a partnership firm, was established in 2001 by Mr. Amit Jain. The firm is engaged in the import and trading of carbon black, synthetic rubber, natural rubber among others. Further, the firm also sells DEPB licence. The firm imports materials from China, Vietnam, UAE, Russia to name a few.

### List of key rating drivers and their detailed description

#### Strengths

##### Experienced management and long track record of operations

SGE was established in 2001 by Mr. Amit Jain and Mrs. Rachna Jain who possess extensive experience in the said line of business.

#### Moderate financial risk profile

The financial risk profile is marked by moderate net worth of Rs.3.32 crore as on March 31, 2017 as against 2.99 crore as on March 31, 2016. The gearing is comfortable and stood low at 0.34 times as on March 31, 2017 and 0.20 times as on March 2016. Of the total debt of Rs. 1.13 crore, the firm had long term loan of Rs. 0.08 crore, unsecured loan of Rs. 0.15 crore and short term loan of Rs. 0.90 crore at the end of FY2017. The Interest Coverage ratio stood at 2.58 times for FY2017 as against 2.48 times for FY2016. The NCA stood at Rs. 0.41 crore for FY2017.

#### Comfortable working capital cycle

SGE's has comfortable working capital cycle evident from the GCA days (Gross Current Asset) of 52 days in FY2017 as against 73 days in FY2016. The improvement in GCA days was on account of improvement in inventory holding period to 12 days in FY2017 as against 34 days in FY2016. The debtor days stood at 35 in FY2017 as against 33 in FY2016. The average working capital facility utilisation stood at around 90 percent over the last six months ending January 2018.

## Weaknesses

### Decline in operating margins

The operating margins are low on account of low value additive DEPB licence business. Further, operating margins declined from 1.55 percent in FY2015 to 1.02 percent in FY2017 on account of fluctuations in currency rates. The firm imports around 90 percent of its raw material requirements from China, UAE, Vietnam, South Korea and low margins from licence business.

### Susceptibility to volatility in raw material prices

Prices of materials including natural rubber, carbon black and synthetic rubber are volatile, and hence, profitability remains susceptible to adverse price movements.

### Highly fragmented and competitive industry

The firm operates in a highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganised sector limits the bargaining power with customers.

## Analytical Approach

SMERA has considered the standalone business and financial risk profiles of SGE.

## Outlook – Stable

SMERA believes that SGE will maintain a Stable outlook over the medium term owing to its long standing presence in the industry and experienced management. The outlook may be revised to 'Positive' if the firm scales up its revenue and profit margins. Conversely, the outlook may be revised to 'Negative' if the firm reports decline in margins or deterioration in the financial risk profile.

## About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	57.06	45.37	54.79
EBITDA	Rs. Cr.	0.58	0.61	0.85
PAT	Rs. Cr.	0.38	0.39	0.68
EBITDA Margin	(%)	1.02	1.34	1.55
PAT Margin	(%)	0.67	0.86	1.24
ROCE	(%)	16.01	20.77	65.05
Total Debt/Tangible Net Worth	Times	0.34	0.20	0.29
PBDIT/Interest	Times	2.58	2.48	4.02
Total Debt/PBDIT	Times	1.67	0.83	0.68
Gross Current Assets (Days)	Days	52	73	29

## Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>

- Financial Ratios And Adjustments -<https://www.smera.in/criteria-fin-ratios.htm>
- Trading Entities -<https://www.smera.in/criteria-trading.htm>

Note on complexity levels of the rated instruments-  
<https://www.smera.in/criteria-complexity-levels.htm>

**Status of non-cooperation with previous CRA (if applicable):**

Not applicable

**Rating History (last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
18-Nov, 2016	Cash Credit	Long Term	1.00	SMERA B+/Stable (Reaffirmed)
	Letter of Credit	Short Term	7.50	SMERA A4 (Reaffirmed)
22-Oct, 2016	Cash Credit	Long Term	1.00	SMERA B+/Stable (Assigned)
	Letter of Credit	Short Term	6.50	SMERA A4 (Assigned)

**\* Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.0	SMERA B+/Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	7.50	SMERA A4 (Reaffirmed)

\*Interchangeability of NFB to FB limits & vice versa to the tune of Rs. 3.00 cr.

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## ABOUT SMERA

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