

Press Release

Shri Ganesh Enterprises

February 21, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 8.50 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

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

Reaffirmation of the rating reflects modest scale of operations and low operating profitability. Revenues of the firm are modest at about Rs.68.42 crores in FY2018 as against Rs.57.06 crores in FY2017. Operating margins remained low around one percent for the last three years through FY2018. However, the ratings continue to reflect Shri Ganesh Enterprises' experienced management, long track record of operations and comfortable financial risk profile.

Shree Ganesh Enterprises (SGE) was established in the year 2001 as a partnership firm by Mr. Amit Jain and Mrs. Rachna Jain. The firm is engaged in the business of Import and trading of Carbon Black, Synthetic Rubber, Natural Rubber, Rubber Process Oil etc. The firm import these goods from various suppliers of South Korea, Russia, UAE, China and Vietnam and sells across North and south India region. Further, the firm also trades in DEPB license.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Shri Ganesh Enterprises to arrive at this rating.

Key Rating Drivers

Strengths

- Long track record of operations and experienced management**

Shree Ganesh Enterprises (SGE) was established in the year 2001 as a partnership firm by Mr. Amit Jain and Mrs. Rachna Jain. The promoters have more than two decades of experience in the same line of business. Long standing presence supporting in improving its revenues year-over-year at a compound annual growth rate of about 23 per cent over the past three years through FY2018. About 40 per cent of its revenues are from rubber and other products; and rest from trading in DEPB license. However, as the margins are narrowing in DEPB license trading, it has reduced focus in FY2019; further, SGE ventured into trading of hardware products through imports. This is expected to result in moderation of revenues to about Rs.45-60 crores over the medium term.

- Moderate financial risk profile**

Financial risk profile of the firm is marked by healthy gearing (debt to equity ratio), moderate total outside liabilities to total net worth (TOL/TNW) and debt protection metrics and networth. Gearing is healthy at 0.61 times as on 31 March, 2018 as against 0.34 times as on 31 March, 2017. TOL/TNW is moderate at 2.03 times as on 31 March, 2018 as against 2.02 times as on 31 March, 2017. Net worth is modest at Rs.3.40 crore as on 31 March, 2018 as against Rs.3.32 crore as on 31 March, 2017. There is no long term loan obligation to service, except unsecured loans of Rs.0.29 crore (which constitute the loan granted by the partners of the firm) and short term debt of Rs.1.84 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt are moderate at 2.49 times and 0.32 times respectively in FY2018. Acuité believes that the financial risk profile is expected to be at similar levels, partly offset by the new trading business started by the firm.

- **Efficient Working capital management**

SGE has efficient working capital cycle which is evident from GCA days (Gross Current Asset) at 41 in FY2018 as against 52 days in FY2017. The improvement in GCA days was on account of improvement in debtor days to 27 days in FY2018 as against 35 days in FY2017. Inventory holding period stood at 10 days in FY2018 as against 12 days in FY2017. However, working capital limits are fully utilized for the last six months through January 2019. Acuité believes working capital cycle of the firm is expected to be at similar levels over the medium term.

Weaknesses

- **Susceptibility to volatile raw material prices**

Prices of materials including natural rubber, carbon black and synthetic rubber are volatile, and hence, profitability remains susceptible to any 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 unorganized sector limits the bargaining power with customers.

- **Modest scale of operations**

Though the firm established in 2001, operations remained modest with revenues of about Rs.68.42 crores in FY2018 as against Rs.57.06 crore in FY2017. The firm reported revenues of Rs.37 crores during April-January 2019. Acuité believes that, ability of the firm to increase the scale of operations would be the key rating sensitivity factor over the medium term.

Liquidity Position

Liquidity of Shri Ganesh Enterprises is moderate marked by efficient working capital cycle. It has reported cash accruals of Rs.0.32 crore in FY2018. Its expected cash accruals are in the range of Rs.0.36-0.80 crore over the medium term. It has fixed deposits of about Rs.2.05 crore as on March 31, 2018 which are encumbered for the letter of credit. Acuité believes that the liquidity profile continues to be comfortable with efficient working capital cycle and in the absence of debt funded capital expenditure plans and repayment obligations.

Outlook: Stable

Acuité believes that SGE will continue to benefit over the medium term from its long standing presence in trading in rubber industry and experienced management. The outlook may be revised to 'Positive' in case of sustained increase in scale of operations and profitability. Conversely, the outlook may be revised to 'Negative' in case of any stretch in working capital cycle leading to deterioration of financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	68.42	57.06	45.37
EBITDA	Rs. Cr.	0.65	0.58	0.61
PAT	Rs. Cr.	0.28	0.38	0.39
EBITDA Margin	(%)	0.95	1.02	1.34
PAT Margin	(%)	0.41	0.67	0.86
ROCE	(%)	14.19	16.01	20.77
Total Debt/Tangible Net Worth	Times	0.61	0.34	0.20
PBDIT/Interest	Times	2.49	2.58	2.48
Total Debt/PBDIT	Times	2.84	1.67	0.83
Gross Current Assets (Days)	Days	41	52	73

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
15-Feb-2018	Cash Credit	Long Term	1.00	ACUITE B+ / Stable (Reaffirmed)
	Letter of Credit	Short Term	7.50	ACUITE A4 (Reaffirmed)
18-Nov-2016	Cash Credit	Long Term	1.00	ACUITE B+ / Stable (Reaffirmed)
	Letter of Credit	Short Term	6.50	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A4 (Assigned)
22-Oct-2016	Cash Credit	Long Term	1.00	ACUITE B+ / Stable (Assigned)
	Letter of Credit	Short Term	6.50	ACUITE A4 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B+ / Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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