

Press Release

Shree Ganesh Pulse Mills

November 26, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 6.16 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B** (read as **ACUITE B**) to the Rs. 6.16 crore bank facilities of Shree Ganesh Pulse Mills (SGPM). The outlook is '**Stable**'.

The Gujarat based, SGPM was established as a partnership firm in 1984 by Mr. Mukesh Shah, Mr. Bharatkumar Rami, Mr. Pareshkumar Shah, Mr. Pravinkumar Modi, Ms. Pushpaben Modi, Mr. Manojkumar Rami. The firm is engaged in processing and trading of toor dal and has an installed capacity of 25 ton/day.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Shree Ganesh Pulse Mills to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The firm was established in 1984, thus the partners possess experience of over three decades in agricultural industry. The firm has reputed clients such as D-Mart with whom they have been associated since 2002. Acuité believes that the experience of the management will help the firm to grow exponentially.

- **Comfortable working capital operations**

SGPM has comfortable working capital operations marked by Gross Current Assets (GCA) of 90 days in FY2018 compared to 60 days in FY2017. The GCA days are mainly dominated by inventory of 79 days in FY2018. Further, the bank limit utilisation stood at ~50.00 percent at an average for last six months ending October, 2018. Acuité believes that efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Weaknesses

- **Average financial risk profile**

SGPM has average financial risk profile marked by tangible net worth of Rs.1.68 crore as on 31 March, 2018 as against Rs.1.86 crore as on 31 March, 2017. The gearing (debt-equity) stood high at 6.37 times as on 31 March, 2018 as against 4.42 times as on 31 March, 2017. The total debt of Rs.10.71 crore mainly consists of term loan of Rs.0.19 crore, unsecured loan of Rs.5.85 crore and working capital borrowings of Rs.4.68 crore as on 31 March, 2018. Interest Coverage Ratio (ICR) stood at 1.45 times in FY2018 as against 1.46 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 6.91 times as on 31 March, 2018 as against 4.90 times as on 31 March, 2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.04 times as on 31 March, 2018 as against 0.05 times as on 31 March, 2017. Going forward, Acuité expects the financial risk profile to improve marginally in the absence of major debt funded capex plans.

- **Exposure to agro climatic risk**

The firm operates in the processing of the agricultural commodities. The availability and prices of the agricultural commodities are highly dependent on the agro climatic conditions. Hence, the operations and profitability of SGPM are exposed to agro climatic risk.

- **Competitive and fragmented nature of industry**

Agriculture processing industry is a highly competitive industry due to the presence of multiple players which results in intense competition from both organised as well as unorganised players in the industry.

Outlook: Stable

Acuité believes SGPM will maintain a 'Stable' business risk profile over the medium term. The firm will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the firm's revenues or profit margins, or in case of deterioration in the firm's financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	45.43	54.11	41.80
EBITDA	Rs. Cr.	1.27	1.27	0.92
PAT	Rs. Cr.	0.08	0.09	0.09
EBITDA Margin	(%)	2.79	2.34	2.20
PAT Margin	(%)	0.17	0.16	0.21
ROCE	(%)	8.48	9.45	13.19
Total Debt/Tangible Net Worth	Times	6.37	4.42	4.17
PBDIT/Interest	Times	1.45	1.46	1.58
Total Debt/PBDIT	Times	8.42	6.46	8.93
Gross Current Assets (Days)	Days	90	60	81

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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)

Not Applicable

***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	5.50	ACUITE B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.12	ACUITE B / Stable
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.54	ACUITE B / Stable

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About Acuité Ratings & Research:

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