

Press Release

Shree Ganesh Pulse Mills

December 27, 2019

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the 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, Mrs. Pushpaben Modi and Mr. Manojkumar Rami. The firm is engaged in processing and trading of toor dal and has an installed capacity of 30 ton/day.

Analytical Approach

Acuite has considered standalone business and financial risk profile of SGPM to arrive at the rating.

Key Rating Drivers

Strengths

• Promoters' extensive experience in the industry

The promoters possess extensive experience of more than three decades resulting in deep understanding of the local market dynamics. The long established presence of the firm has led to establishing healthy relationship with customers and suppliers and strengthen it's market position.

Acuite believes that the long track record of operations and extensive experience of the partners will support the business risk profile of the firm.

• Moderate working capital cycle

The working capital cycle is moderate as evident from Gross Current Asset (GCA) of 96 days as on March 31, 2019 as compared to 90 days in previous year. The high GCA days emanates from high inventory holding of 84 days as on March 31, 2019 as compared to 79 days in previous year. The firm maintains inventory of 2-3 months in order to serve clients on immediate basis. However, the Debtors collection days are stood healthy at 10 days as on March 31, 2019 and 2018.

Acuite believes that the GCA days will remain moderate on account of healthy debtor turnaround days to support high inventory holding policy of the firm.

Weaknesses

• Average financial risk profile

SGPM's financial risk profile has shown improvement over the period under study however, it continues to remain average. The net worth stood low at Rs.2.00 crore as on March 31, 2019 as compared to Rs1.68 crore as on March 31, 2018. The gearing stood high at 5.65 times as on March 31, 2019 as compared to 6.37 times as on March 31, 2018. The gearing is expected to remain high as the firm has higher inventory holding requirement, leading to higher utilization of fund based bank limit in the peak season. The total debt of Rs.11.38 crore as on March 31, 2019 consist of Rs.0.15 crore secured term loan, unsecured loan of Rs.6.07 crore from promoters and related parties and working capital borrowing of Rs.5.17 crore. The interest coverage ratio stood moderate at 1.37 times during FY2019. Total outside Liabilities/Tangible Net Worth (TOL/TNW) improved to 5.94 times as on March 31, 2019 as against 6.91 times as on March 31, 2018.

Acuite believes that going forward the financial risk profile will improve gradually in the absence of any significant debt funded capex while improving its profitability margins.

• 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.

Rating Sensitivities:

- Improvement in revenue and profitability margins.
- Debt funded capex leading to deterioration in financial risk profile.
- Elongation in working capital cycle affecting its liquidity position.

Material Covenants

None

Liquidity Position: Adequate

The liquidity position of the firm is adequate marked by moderate cash accruals vis-à-vis debt repayment obligation. The cash accruals for FY2020 is expected to be ~Rs.0.40-0.50 crore as against nil debt repayment obligation, thus providing adequate liquidity cushion for incremental working capital requirement. The cash credit limit is moderately utilized with average utilisation of ~60 percent over the last six months ended Oct 2019. The current ratio was moderate at 2.11 times as on March 31, 2019.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	45.43	54.11
PAT	Rs. Cr.	0.08	0.09
PAT Margin	(%)	0.17	0.16
Total Debt/Tangible Net Worth	Times	6.37	4.42
PBDIT/Interest	Times	1.45	1.46

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-51.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
26- Nov-2018	Cash Credit	Long Term	5.50	ACUITE B (Assigned)
	Term Loans	Long Term	0.12	ACUITE B (Assigned)
	Proposed Long Term Bank Facility	Short Term	0.54	ACUITE B (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	5.50	ACUITE B/Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	0.12	ACUITE B/Stable (Withdrawn)

Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.66 (Enhanced from Rs.0.54 Cr)	ACUITE B/Stable (Reaffirmed)
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Contacts

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About Acuite Ratings & Research:

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