

Press Release

Ganpati Agri Business Private Limited

October 03, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	59.00	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	59.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

ACUITE has assigned long term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) on the Rs. 59.00 Cr bank facilities of Ganpati Agri Business Private Limited. The Outlook is '**Stable**'.

Rationale for rating assigned

The assigned rating takes into account the growth in scale of operations and comfortable working capital management. In the last 3 years' company has improved its performance in terms of revenue with addition of new customers and strengthening of order book position. Going forward Acuite expects the company to maintain moderate growth trend in scale of operations. Company's working capital management is comfortable marked by moderate GCA days of 77 in FY 2022. However, the rating is constrained by moderate customer concentration risk, narrow operating margins and average financial risk profile of the company and going forward the earnings of the company in terms of operating margins and the effect of the same on financial risk profile will be key rating sensitivity factors.

About the Company

Ganpati Agri Business Private Limited was incorporated in 2011 by Atul Kumar Singh and his wife Anjali Singh, who are both directors, located at Barabanki (UP). The company manufactures rice bran oil (unfinished cooking oil) and its by-products, de-oiled rice bran cake along with allied products such as mustard cake, de-oiled mustard cake, among others for poultry and cattle feed. Company has also installed menthol unit with 1500 MT per annum capacity.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Ganpati Agri Business Private Limited to arrive at this rating.

Key Rating Drivers

Strengths

Increasing trend in scale of operations

The company is involved in extraction of vegetable oils and Menthol. In the last 3 years the

company has registered growth in operating income. In FY 2020 (Audited) company achieved revenue of Rs. 171.40 Cr which improved by 10.20% in FY 2021 (Audited) and stood at Rs. 189.35 Cr. In FY 2022 (Audited) company registered further growth in revenue of 22.85% and earned Rs. 232.00 Cr for the fiscal. Overall company has achieved CAGR of 10.62% in the last 3 fiscals. The improvement in scale of operations was a result of addition of new customers and increase in order book position which led to increase in capacity utilization for extraction of vegetable oils. Also new customers were added for the menthol based products for which the manufacturing plant with installed capacity of 1500 MT per annum was established. The plant started its operations from FY 2020.

Working Capital Management

The company's operations are comfortable in terms of working capital intensity as evident by GCA days of 77 in FY 2022. GCA days have moderated from 93 in FY 2021 to 77 in FY 2022 due to decline in inventory holding period. Inventory holding period has moderated from 58 days in FY 2021 to 32 days in FY 2022 due to fast execution of orders and the change in transportation of finished material policy wherein in the last year company has switched from dispatching goods by trucks to dispatch through rail wagons resulting in improved inventory days. However, debtor realization period has stretched in FY 2022 which stood at 41 days in FY 2022 as against 29 days in FY 2021. Creditor days stood between 5-2 days from FY 2020-2022. Bank limit utilization remained moderately high with 83.17% average utilization between August 2021 and July 2022.

Weaknesses

Narrow Operating margins

Profitability position of the company has moderated in the last 3 years. EBITDA margin has moderated from 4.04% in FY 2020 to 3.19% in FY 2021 and further moderated to 3.14% in FY 2022. Moderate margin is a result of high selling and distribution cost and lower selling price for the products which the company incurred to generate demand and absorbed the lower selling price in margins to establish its position in the market. However, year on year the company is decreasing its selling and distribution cost and going forward company is expected to increase the selling price resulting in better margins in the near term.

Average financial Risk Profile

Company's financial risk profile is average marked by moderate net worth, gearing and average debt protection metrics. Tangible Net Worth as on 31st March 2022 stood at Rs. 35.77 Cr as against Rs. 22.96 Cr as on 31st March 2021. Tangible net worth as on 31st March 2022 also consists of Rs. 11.00 Cr of unsecured loan which has been subordinated to bank debts and an undertaking has been submitted by the company to the bank. Gearing (Debt/Equity) stood moderate at 1.31 times as of FY 2022 as against 2.26 times in FY 2021. Decline in gearing was a result of addition of quasi equity. Interest coverage ratio improved and stood at 2.72 times in FY 2022 as against 2.17 times in FY 2021. DSCR stood moderate at 1.35 times in FY 2022. TOL/TNW stood at 1.38 times while Debt/EBITDA stood at 6.35 times in FY 2022. In the absence of any debt funded capex plan the financial risk profile is expected to remain average in the near term.

Moderate Customer concentration risk

Top 10 customers accounted for around 60% of net sales made in FY 2022. The share of top 10 customers was more than 65% in FY 2021 which shows the company has been able to diversify its customer's portfolio to an extent and the moderation on customer concentration would hedge the risk in future if the company continues on this path.

Rating Sensitivities

- Profitability margins.
- Debt protection metrics.

Material covenants

None.

Liquidity Position

Adequate

Company's liquidity position is adequate. Going forward liquidity position is expected to improve since company is expected to generate cash accruals in the range of Rs. 7.01 Cr and Rs. 7.98 Cr against CPLTD of Rs. 4.82 Cr and Rs. 4.35 Cr in FY 2023 and 2024 respectively. Unencumbered cash and bank position stood at Rs. 0.04 Cr while bank limit utilization stood moderately high at 83.17% between August 2021 and July 2022. Investments of Rs. 2.03 Cr in FY 2022 is lien marked against forward contract limit availed by company.

Outlook: Stable

Acuité believes that Ganpati Agri Business Private Limited will maintain a 'Stable' outlook and benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' if the company reports higher than expected revenues and profitability margins. Conversely, the outlook may be revised to 'Negative' in case of sharp deterioration in the working capital cycle, thereby impacting its financial risk profile, particularly its liquidity.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	232.00	189.35
PAT	Rs. Cr.	1.82	0.97
PAT Margin	(%)	0.78	0.51
Total Debt/Tangible Net Worth	Times	1.31	2.26
PBDIT/Interest	Times	2.72	2.17

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

None

Any other information

None.

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History:

None

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	32.00	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BBB- Stable Assigned

Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	2.32	ACUITE BBB- Stable Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	0.30	ACUITE BBB- Stable Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	4.09	ACUITE BBB- Stable Assigned
State Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	3.37	ACUITE BBB- Stable Assigned
State Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	4.92	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

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