

Shri Ganesh Enterprises: Reaffirmed

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	1.00	SMERA B+/Stable (Reaffirmed)
Letter of Credit	7.50 (Enhanced from Rs.6.50)	SMERA A4 (Reaffirmed)

SMERA has reaffirmed the long-term rating of **'SMERA B+' (read as SMERA B plus)** on the Rs.1.00 crore bank facility and short-term rating of **'SMERA A4' (read as SMERA A four)** on the Rs.7.50 crore bank facility of Shri Ganesh Enterprises (SGE). The outlook is **'Stable'**.

The ratings are constrained by the decline in revenue, low profitability and susceptibility of margins to volatility in raw material prices. The ratings factor in the intense competition in the rubber industry. However, the ratings draw support from the experienced management, low gearing and moderate interest coverage.

SGE has achieved operating income of Rs.45.37 crore in FY2015-16, a decline from Rs.54.79 crore in FY2014-15. The firm registered profit after tax margin of 0.86 per cent in FY2015-16 as against 1.24 per cent in FY2014-15. The firm operates in an intensely competitive segment of the rubber industry.

However, the promoters, Mr. Amit Jain and Mrs. Rachna Jain have around a decades experience in the same line of business. The gearing (debt-to-equity) has been comfortable at 0.20 times as on March 31, 2016 against 0.29 times in FY2014-15. Moreover, the interest coverage ratio stood at 2.00 times in FY2015-16 against 4.02 times in FY2014-15.

Outlook: Stable

SMERA believes that SGE will maintain a stable outlook over the medium term and continue to benefit from its experienced management. The outlook may be revised to 'Positive' if the firm registers substantial growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

Rating Sensitivity Factors

- Scaling up of operations and profitability
- Improvement in profit margins

Criteria applied to arrive at the rating:

- Trading Entities

About the Firm

The Kerala-based SGE, was incorporated in 2001 by Mr. Amit Jain and Mrs. Rachna Jain. The firm imports and trades in carbon black, synthetic, natural rubber among others.

For FY2015-16, the firm reported profit after tax (PAT) of Rs.0.39 crore on operating income of Rs.45.37 crore, as compared with profit after tax (PAT) of Rs.0.68 crore on operating income of Rs.54.79 crore in FY2014-15. The net worth stood at Rs.2.99 crore as on March 31, 2016 against Rs.2.27 crore a year earlier.

Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
22 October, 2016	Cash Credit	1.00	SMERA B+ (Assigned)	-	Stable
	Letter of Credit	6.50	-	SMERA A4 (Assigned)	-

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ABOUT SMERA

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