April 30, 2024

Ganesh Grains Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Working Capital Facilities	83.00	140.00	[ICRA]A+ (Stable), reaffirmed/ assigned
Long-term/ Short-term – Non-Fund based – Working Capital Facilities	5.00	5.00	[ICRA]A+ (Stable)/ [ICRA]A1, reaffirmed
Total	**88.00**	**145.00**	

** Instrument details are provided in Annexure – I*

Rationale

The reaffirmation of the ratings considers the established position of Ganesh Grains Limited (GGL) as one of the major manufacturers of wheat and chana-based products with a strong presence in West Bengal under the brand, Ganesh. GGL has a significant market share in the packaged wheat and chana products segment in West Bengal. The top line of the company witnessed a sizeable growth over the past two years, primarily driven by an increase in the volume of sales of wheat-based products, along with an improvement in the realisation. The ratings also derive comfort from the favourable financial profile of the company, as reflected by a conservative capital structure and healthy debt coverage indicators. The ratings further consider GGL's significant price premium over the unorganised players in the B2C segment. Moreover, stable demand from staple food grains market and strong distribution network are likely to support its revenue growth, going forward.

The ratings are, however, constrained by the highly competitive business segment, limiting margin expansion and high geographical concentration risk as around 82% of the company's turnover in 9M FY2024 was derived from West Bengal. ICRA notes that increasing share of revenue from the B2B segment, which fetches much lower margin than the B2C segment, adversely impacted the overall operating margin of the company in FY2023 and is estimated to impact the same in FY2024 as well. The ratings also consider the inherent susceptibility of the company's operations and margins to the prevailing agro-climatic conditions and changes in Government policies. ICRA also notes the impending exit of the PE investor. ICRA will continue to monitor developments in this regard and will take appropriate rating action, if required, once more clarity emerges on this.

The Stable outlook on the long-term rating reflects ICRA's opinion that GGL will continue to benefit from the established brand presence, particularly in West Bengal, and the planned product diversification and value addition initiatives, which are likely to support revenue growth while sustaining its favourable financial profile in the long run.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters and strong brand presence in West Bengal – GGL was set up as a proprietorship firm in 1936 and has been manufacturing wheat and chana-based products for over eight decades. Over the years, GGL's brand, Ganesh, has been able to establish a strong presence in West Bengal with the company holding a considerable market share in the packaged wheat and chana products segment in the state. The company offers a wide range of products such as atta (whole wheat flour), besan (gram flour), maida (refined wheat flour), sattu (roasted gram flour), sooji (semolina), dalia (porridge), instant mixes, cereals and spices, and packaged foods namely, khaman dhokla and mixed idli. The company is also in the process of introducing a number of mix masala and snacks namely, bhujiya, chanachur, namkeen, etc. in its product offerings in the current fiscal, which would diversify its revenue source to an extent.

Sizeable top line growth over the past two years – The operating income of the company witnessed a YoY growth of around 34% to around Rs. 611 crore in FY2023, mainly driven by an increase in the volume of sales of atta and maida, supported by an improvement in the realisation of various products. The company registered an operating income of around Rs. 563 crore in 9M FY2024 against around Rs. 264 crore in H1 FY2023. The top line of the company is likely to register a growth of around 24%, on a YoY basis, in FY2024, mainly supported by sizeable revenue generated from wheat-based products. ICRA expects the top line of the company to witness a YoY growth of around 15% in FY2025, mainly on the back of increased offtake of wheat-based products and spices.

Favourable financial profile characterised by a conservative capital structure and healthy debt protection metrics – The capital structure of the company has remained conservative over the past years owing to an adequate net worth and low reliance on external debt. The gearing and TOL/TNW stood at 0.5 times and 0.7 times, respectively, as on March 31, 2023. In view of reduced working capital borrowings, the same are expected to improve in FY2024. The debt protection metrics of the company have remained strong over the past few years on the back of moderate level of profits and cash accruals from business along with relatively lower debt level. Despite some moderation witnessed in FY2023, driven by an increase in the debt level, the coverage indicators are likely to improve in FY2024, primarily driven by a decline in the overall debt level. ICRA does not expect any major deterioration in the capital structure and coverage indicators of the company in the near term.

Stable demand from staple foodgrains market; strong distribution network in West Bengal – GGL's market is extremely fragmented, however, the demand is stable as all its products are essential constituents of consumers' daily diet. It has built a strong marketing and distribution network in West Bengal, facilitating the company's sales. As the company sells through direct clearing & forwarding (C&F) agents, distributors, super-stockists, wholesalers and online sales channels, its customer concentration risk remains on the lower side with the top 10 customers contributing around 9% to the total sales in FY2023. It has a strong distribution network of 25 C&F agents and around 800 distributors.

Credit challenges

Intensely competitive business segment limits margin expansion – GGL enjoys a significant price premium over the unorganised players in the B2C segment owing to its superior quality and established brand position. However, the company operates in an intensely competitive and fragmented industry and faces stiff competition from large, organised players, which limits the pricing flexibility to some extent. ICRA notes that increasing share of revenue from the B2B segment, which fetches much lower margin than the B2C segment, adversely impacted the overall operating profit margin (OPM) of the company in the recent past. The OPM of the company declined to 9.2% in FY2023 from 10.5% in FY2022. GGL's OPM is likely to moderate further and to remain at 8-9% in FY2024. Despite some likely moderation, the RoCE of the company is expected to remain comfortable at 15-16% in FY2024. Going forward, the overall margins of the company would continue to remain at a moderate level.

Regional presence gives rise to geographical concentration risks – GGL has a strong regional presence with a healthy market share in West Bengal. The state accounted for around 82% of GGL's total sales in 9M FY2024, reflecting geographical concentration risks. However, GGL continues to increase its presence in other eastern states where they have a strong hold.

Exposed to agro-climatic risks and changes in Government regulations – As GGL operates in an agro-based industry, it remains exposed to agro-climatic risks such as raw material availability, quality and pricing. Moreover, any change in Government regulations pertaining to the industry can also have a bearing on the performance of all players in the industry, including GGL.

Liquidity position: Adequate

A sharp decline in the working capital intensity of operations is likely to have led to a positive cash flow from operations in FY2024. Despite a sizeable cash outflow towards acquisition of an office building, free cash flows are assessed to be positive in FY2024. The company is likely to generate positive cash flow from operations in FY2025 as well. The average fund-based working capital utilisation of the company stood at around 47% during the last 15 months, ended in March 2024, leaving adequate buffer for future working capital requirement. In view of adequate cash flow from operations, absence of any major planned capital expenditure and long-term debt repayment obligations, and undrawn working capital limits, ICRA expects the overall liquidity position of the company to remain adequate, going forward.

Rating sensitivities

Positive factors – ICRA may upgrade GGL's ratings if the company demonstrates a significant growth in the top line and profitability on the back of better business diversification.

Negative factors – ICRA may downgrade the ratings in case of a significant decline in the turnover and/or margins of the company. Any significant deterioration in the liquidity position may also trigger ratings downgrade. Specific credit metrics that could lead to ratings downgrade include an interest coverage of less than 7.0 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financial statements of the company

About the company

GGL, promoted by the Kolkata-based Mimani family, is involved in manufacturing and sales of agro-based products like wheat flour (atta, sooji, maida, dalia), gram flour (besan, sattu) and instant mixes. The company started manufacturing and sale of various spices in FY2024. At present, the company has seven manufacturing units, out of which four units are in Howrah, West Bengal and one each in Hyderabad, Varanasi, and Agra. The company markets its products under the brand, Ganesh, which has an established presence in West Bengal.

The company had successfully commissioned sooji manufacturing plants in Howrah and Agra, and a spice manufacturing plant in Howrah, West Bengal in FY2023.

MOPE Investment Advisors Private Limited (MOPE), the private equity arm of Motilal Oswal Financial Services Limited, acquired a 25.71% equity share in GGL in October 2016.

Key financial indicators (audited)

GGL, Standalone	FY2022	FY2023	9M FY2024*
Operating income	455.0	610.8	562.7
PAT	26.8	27.1	22.8
OPBDIT/OI	10.5%	9.2%	9.2%
PAT/OI	5.9%	4.4%	4.0%
Total outside liabilities/Tangible net worth (times)	0.5	0.7	0.4
Total debt/OPBDIT (times)	1.3	1.9	0.8
Interest coverage (times)	17.2	8.4	11.8

*Source: Ganesh Grains Limited, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore*

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA

CRA	Status	Date of Release
CARE	CARE BB/ Stable/ A4; ISSUER NOT COOPERATING*, Ratings continue to remain under ISSUER NOT COOPERATING category	March 14, 2024
ACUITE	ACUITE BB-/ A4+/ Reaffirmed; ISSUER NOT COOPERATING*	August 07, 2023

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2025)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as of Dec 31, 2023 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
					Apr 30, 2024	-	Jan 30, 2023	Feb 28, 2022
1	**Fund-based – Working Capital Facilities#**	Long Term	140.00	36.00	**[ICRA]A+ (Stable)**	-	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)
2	**Term Loan**	Long Term	-	-	-	-	-	[ICRA]A+ (Stable)
3	**Non-fund based – Working Capital Facilities**	Long Term/ Short Term	5.00	-	**[ICRA]A+ (Stable)/ [ICRA]A1**	-	[ICRA]A+ (Stable)/ [ICRA]A1	[ICRA]A+ (Stable)/ [ICRA]A1

 # One way interchangeability of Rs. 40.00 crore from fund-based to non-fund based limits

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Working Capital Facilities	Simple
Long-term/ Short-term non-fund based – Working Capital Facilities	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here]

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit/ WCDL 1#	-	-	-	40.00	[ICRA]A+ (Stable)
NA	Cash Credit/ WCDL 1	-	-	-	40.00	[ICRA]A+ (Stable)
NA	Cash Credit/ WCDL 1	-	-	-	30.00	[ICRA]A+ (Stable)
NA	Cash Credit/ WCDL 1	-	-	-	30.00	[ICRA]A+ (Stable)
NA	Bank Guarantee	-	-	-	5.00	[ICRA]A+ (Stable)/ [ICRA]A1

Source: Ganesh Grains Limited

 # One way interchangeability from fund-based to non-fund based limits

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Not applicable

ANALYST CONTACTS

Mr. Shamsher Dewan
+91 124 4545328
shamsherd@icraindia.com

Ms. Kinjal Shah
+91 22 6114 3400
kinjal.shah@icraindia.com

Mr. Sujoy Saha
+91 33 7150 1184
sujoy.saha@icraindia.com

Mr. Sandipan Kumar Das
+91 33 7150 1190
sandipan.das@icraindia.com

RELATIONSHIP CONTACT

Mr. L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches