



Rating Rationale

Ganesh Cotton Traders

20 Jun 2018

Brickwork Ratings reaffirms BWR B for the Bank Loan Facility of Rs. 5.50 Crore of Ganesh Cotton Traders ('GCT' or 'the concern') and removes the rating from the 'ISSUER NOT COOPERATING' category

Particulars

Facilities #	Amount (Rs. Crs)		Tenure	Rating ¹	
	Previous	Present		Previous	Present
Fund Based Cash Credit	5.50	5.50	Long Term	BWR B ISSUER NOT COOPERATING* Outlook: Stable	BWR B (Pronounced BWR Single B) Outlook: Stable [Reaffirmed and removed from the 'Issuer Not Cooperating' category]
Total	5.50	Rs. 5.50 Crore (Rupees. Five Crore Fifty Lakh Only)			

* Issuer did not cooperate; Based on best available information

Annexure I shows details of credit facilities

1 For definitions of the rating symbol, please refer to our website www.brickworkratings.com/

Rating reaffirmed and removed from the 'ISSUER NOT COOPERATING' category

Rationale/Description of Key Rating Drivers/Rating sensitivities:

Brickwork Ratings has essentially relied upon the audited financials upto FY17, publicly available information and information/clarifications provided by GCT's management.

The rating reaffirmation continues to factor the proprietor's experience in cotton business, locational advantage and established operational track record. However, the rating continues to be constrained by y-o-y declining revenue, thin profitability, susceptibility of profitability to volatility in raw cotton prices, intense competition in a highly fragmented industry, exposure to regulatory and agro climatic risks and working capital intensive nature of operations.

Going forward, the ability of the concern to increase its scale of operations, improve its profitability, strengthen its credit risk profile and manage its working capital efficiently will be the key rating sensitivities.



Rating Outlook: Stable

Brickwork Ratings (BWR) believes that **Ganesh Cotton Traders** ('GCT' or 'the proprietorship concern') business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale).

Key Rating drivers

Credit strengths

- The proprietor has over two decades of experience in the cotton industry and the concern has established relationships with wholesalers in Andhra Pradesh, Tamil Nadu, Maharashtra, etc.
- Location of the unit enables easy procurement of raw cotton as it is in a cotton growing belt of Andhra Pradesh.

Credit Weaknesses

- Year on year decline in revenue on account of limited availability of raw cotton and thin profitability margins.
- Entry barriers in cotton business are low on account of limited capital & technology requirements and low differentiation in end product. This leads to intense competition and limits players' pricing power, resulting in low profitability.
- Since cotton is an agricultural commodity, its availability is limited and primarily depends on the monsoon.
- Working capital requirement is high due to nature of business.

About the Proprietorship concern

Ganesh Cotton Traders was established in 2007 as a proprietorship concern by Shri. Srinivas Rao Chidella, at Guntur, Andhra Pradesh. GCT is engaged in ginning and pressing of raw cotton to cotton lint and cotton seed and its operations are carried out in a leased cotton ginning and pressing unit with 18 ginning machines and capacity of around 110 cotton bales per hour. The concern is also engaged in trading of raw cotton. The concern has a retail clientele base and sells its cotton bales to spinning mills, traders in Maharashtra, Tamil Nadu, Andhra Pradesh and Telangana and cotton seed to oil pressing units in Telangana, Maharashtra and Haryana. GCT procures majority of raw cotton directly from farmers and also through commission agents from Andhra Pradesh and Telangana.

Financial Performance

GCT's net revenue decreased to Rs. 27.34 crore for FY17 from Rs. 30.79 crore for FY16. Profit after tax was Rs. 0.16 crore for FY17 as against Rs. 0.16 crore for FY16. Proprietor's Capital was Rs. 2.72 Crore as on 31st March 2017. On a provisional basis, the concern reported revenue of around Rs. 23 crore in FY18.

The key financial indicators are summarized in Annexure II.

Rating History for the last three years

Sl. No.	Facilities	Current Rating (June 2018)			Rating History		
		Type	Amount (Rs. Cr)	Rating	2017 ¹ (11 th Aug 2017)	2016 ² (16 th May 2016)	2015
1	Cash Credit	Long Term	5.50	BWR B (Outlook: Stable) <i>[Reaffirmed and removed from the 'Issuer Not Cooperating' category]</i>	BWR B ISSUER NOT COOPERATING* <i>Revised</i>	BWR B+ (Outlook: Stable) <i>Assigned</i>	-
Total			Rs. 5.50 Crore (Rupees. Five Crore Fifty Lakh Only)				

* Issuer did not cooperate; Based on best available information

¹ Amount Rated: Rs. 5.50 Crore; ² Amount Rated: Rs. 5.50 Crore

Status of Non-Cooperation with Other CRA: ICRA Ratings, vide its press release dated 1st July 2016, has suspended its rating of the bank loan facilities of the concern, in view of its inability to undertake a rating surveillance in the absence of requisite information from the concern.

Any Other Information: Not Applicable

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Manufacturing Companies](#)
- [Approach to Financial Ratios](#)
- [Trading Entities](#)

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Annexure I
Ganesh Cotton Traders
Guntur, Andhra Pradesh

Bank	Facilities	Tenure	Amount Rated (Rs. Crs)
Bank of Maharashtra Guntur Branch, Guntur, Andhra Pradesh	Fund Based: Cash Credit	Long Term	5.50
Total			5.50

Annexure II
Key Financial Parameters

(Rs. Crore)		31 Mar 2016	31 Mar 2017
		Audited	Audited
Revenue	Rs. Cr	30.79	27.34
EBIDTA	Rs. Cr	1.01	1.00
Profit After Tax	Rs. Cr	0.16	0.16
Proprietor's Capital	Rs. Cr	2.49	2.72
Total Debt : Proprietor's Capital	Times	2.45	2.29
Current Ratio	Times	1.36	1.38



For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.