Rating Rationale

Brickwork Ratings assigns 'BWR B' for Bank Loan Facilities amounting to ₹ 8.82 Cr of Ganesh Ginning Factory

Brickwork Ratings has assigned following **Rating**[1] for the Bank Loan Facilities of **Ganesh Ginning Factory ('GGF' or 'The Firm')**

Kind of Facility	Ratings Amount ₹ in Cr	Tenure	Rating
Working capital	**3.35**	**Long Term**	**BWR B (Pronounced as BWR Single B) (Outlook: Stable)**
Term Loan	**0.97**		
Demand Loan against warehouse receipt	**4.50**		
Total Fund Based	**8.82**		

BWR has essentially relied upon audited financial results up to FY16, estimates for FY17 and projections FY18, publicly available information and information/ clarifications provided by the management.

The rating has factored partners experience, long standing relations with customers and the locational advantage. However the rating constrained by the outlook for cotton and cotton ginning industry. The industry is plagued with over capacity coupled with low margins. The unit has recorded a steep decline in sales by about 45% during FY16; with low profits and low service indicators. Bhavnagar, being one of the major cotton hubs of the state, presence of many ginning mills makes competition more intense.

Background:

Ganesh Ginning Factory was established in year 1998 as a Partnership firm and is being managed by the four partners; Mr. Savji Gangani, Mr. Amba.D.Nakrani, Mr. Mukesh B Gangani, and Mr. Prem Gangani. The firm is located at Talaja near Palitana road with easy access to high quality raw material. The manufacturing facilities are in Bhavnagar, Gujarat. The firm is engaged in the activity of cotton ginning & pressing and selling of cotton seed oil and Oil cakes as the by-products. The firm procures raw material mainly from farmers, dealers and brokers spread over various cities of Gujarat. The project has an installed capacity of 20,000 MT.

Financial Parameters:

GGF 's net revenue from operations has declined from ₹68.14 Cr in FY15 to ₹39.75 Cr in FY16 i.e a steep decline of about 45 %, as compared to the previous year. Operating & Net profit Margins are low at 2.81 percent and 0.07 percent respectively. DSCR at 0.92 requires improvement.

[1] ***Please refer to www.brickworkratings.com for definition of the Ratings***

Rating Outlook:
The outlook of the company is expected to be stable in current year. Going forward, the improvement in revenue along with improvement in profitability, efficient conversion cycle management and ability to achieve the projections will be the key rating sensitivities.

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