



Rating Rationale

Ghanshyam Udhyog

28th June 2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 9.75 Crores of Ghanshyam Udhyog.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (April, 2018)	Present
Fund based OCC Term Loan**	8.75 0.82	8.75 1.00	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook:Stable	BWR BB- (Pronounced as BWR Double B Minus) Outlook:Stable Reaffirmed
Total	9.57	9.75	INR Nine Crore Seventy Five Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Complete details of Bank facilities is provided in Annexure-I

** Term Loan Outstanding as on 1st June 2019, considered for Bank Loan Rating

Ratings: Reaffirmed

Long Term rating BWR BB- (Outlook:Stable) reaffirmed for bank loan facilities of Ghanshyam Udhyog (GU or “the firm”)

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon audited financial results of GU upto FY18, provisional key figures of FY19, publicly available information and information/clarifications provided by the firm’s management.

The assigned ratings draw comfort from experience of partners in the Food Processing Industry, Support of Associate Concerns, Moderate Liquidity and Expansion of Capacity.

The ratings are, however, constrained on account of Leveraged Capital Structure, Weak Debt Coverage Indicators, Reduction in Revenues and Thin Margins, Sensitivity to external factors, and Stretched Working Capital.



The ability of the concern to increase its revenue, improve its capital structure, coverage, profitability and its working capital cycle while maintaining its liquidity levels would be its key rating sensitivity.

Description of Key Rating Drivers

Credit Strengths:

- **Extensive experience of Partners:** The promoters have an extensive experience of over 40 years in the food processing industry and a proven track record of the business and are regularly infusing funds in the firm.
- **Support of Associate concerns:** The firm has two other associate concerns Ghanshyam Pulses & Ghanshyam Dall Mill operating in the same line of business.
- **Moderate Liquidity:** CR has increased to 1.94x in FY18 from 1.39x in FY17 due to decrease in short term borrowings as well as increase in inventories.
- **Expansion of Capacity:** The firm is currently in the process of setting up new Plant and Building in order to increase production capacity which in turn is expected to increase revenue in the forthcoming years.

Credit Risks:

- **Leveraged Capital Structure:** TNW stood at just 5.43 cr in FY18 while TD/TNW as on FY18 stood at 1.74x v/s 1.44x in FY17 due to increase in Total Debt. Also Inherent risk of capital withdrawal in partnership concern also exists.
- **Weak Debt Coverage Indicators:** ISCR & DSCR stood at 1.09x and 1.07x in FY18 v/s 1.12x and 1.06x in FY17. This is due to the increase in interest cost.
- **Reduction in Revenues & Thin Margins:** TOI has decreased to 36.63 in FY18 from 41.66 in FY17. As per provisional key figures, TOI as on 31st March 2019 stood at 42.52 cr. NPM as on FY18 stood at 0.28% v/s 0.36% in FY17 respectively. OPM has marginally increased to 3.96% in FY18 up from 3.10% in FY17.
- **Sensitivity to external factors:** Food processing industry is highly fragmented with low barriers to entry and intense competition from large number of unorganised players. Also Inherent risk of capital withdrawal in partnership concern also exists. Government interventions will remain a driver for the profitability of flour mills and continue as a key rating sensitivity factor.
- **Stretched Working Capital:** GCA is 33.61% of sale in FY18 up from 24.56% in FY17 due to increase in inventory holding period.

Liquidity Profile: Current Ratio stood at 1.94x in FY18. Cash & Cash Equivalent stood at Rs. 1.15 cr. Working Capital facility utilisation is around 80% on average.

Analytical Approach

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



Rating Outlook: Stable

BWR believes the **Ghanshyam Udhyog** 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.

About the Company

Ghanshyam Udyog was set up in 1998 as a partnership firm by Mr Vipin Bansal, Mr Nitin Bansal, Mr Hitesh Bansal, Mr Dwarkaprasad Bansal and Mr Bhagwandas Bansal. The Indore (Madhya Pradesh) based firm processes and sells gram flour and pulses. The processing unit has a capacity of 100 MT/ day and sells its products under the brand name of Hathoda, Double Sher and Golden Coin

Company Financial Performance

TNW stood at 5.43 cr in FY18 v/s 4.37 cr in FY17, while TD/TNW as on FY18 stood at 1.74x v/s 1.44x in FY17 due to increase in Total Debt. As on FY19 (provisional) TD/TNW stood at 1.58x. TOI has decreased to 36.63 in FY18 from 41.66 in FY17. As per provisional key figures, TOI as on 31st March 2019 stood at 42.52 cr. OPBDIT has marginally increased to 1.45 cr in FY18 from 1.29 cr in FY17 due to decrease in Operating expenses. PAT shows a fluctuating trend and has decreased to 0.10 in FY18 from 0.15 cr in FY17 due to increase in interest cost. As on FY19 (provisional), PAT stood at 0.12 cr.

Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	6th April 2018	2017	2016
1	Fund Based	Long Term	9.75	BWR BB- (Pronounced as BWR Double B Minus) Outlook:Stable Reaffirmed	BWR BB- (Pronounced as BWR Double B Minus) Outlook:Stable		
	Total		9.75	₹ Nine Crore Seventy Five Lakhs Only			

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

Any other information - nil

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		A	A
Operating Revenue	Rs in Crs	36.63	41.66
EBITDA	Rs in Crs	1.45	1.29
PAT	Rs in Crs	0.10	0.15
Tangible Net worth	Rs in Crs	5.43	4.37
Total Debt/Tangible Net worth	Times	1.74	1.44
Current Ratio	Times	1.94	1.39

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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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.

DISCLAIMER

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