



Rating Rationale

Shree Ganesh Cotex

4 Oct 2018

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹. 10.00 Crores of Shree Ganesh Cotex (SGC)

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Mar, 2017)	Present
Fund Based Cash Credit	10.00	10.00	Long Term	BWR B (Pronounced as BWR Single B) Outlook: Stable	BWR B- (Pronounced as BWR Single B Minus) Outlook: Stable Downgraded
Total	10.00	10.00	INR Ten Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Firm has not provided audited financials of FY 18 even as on 31.0.2018

Ratings: Downgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials of Shree Ganesh Cotex up to FY17, **provisional financials for FY18**, projections upto FY19 and publicly available information and information/clarifications provided by the management.

The rating derives comfort from the experience of partners in cotton ginning industry and increased operating profit margin. The rating is however constrained by small scale of operations with reduced revenues, low net worth, high gearing, negative interest coverage indicator, high inventory days, reduced net profit margin, Gap risk, volatility in raw material prices and climatic changes and competitive nature of industry. **(Based on Provisional FY 18)**

Going forward, firm's ability to enhance its revenue, to infuse own funds and manage its working capital efficiently will be the key rating sensitivities

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Description of Key Rating Drivers

- **Credit Strengths:**

Partners of the firm have more than a decade of experience and operating profit margin is increased from 3.47% in FY17 to 4.64 % In FY18 **(Based on Provisional FY 18)**

- **Credit Risks:**

Small scale of operations with an average revenue of Rs. 36.00 crs for last three FYs and revenue is on a reducing basis Y-O-Y basis from Rs41.17 Crs in FY16 to Rs 39.85Crs in FY17 to Rs 25.64 crs in FY18,. Networth is at Rs.3.98 Crs as on 31.3.18. gearing is at 2.80 X in FY18 interest coverage indicator is at 1.24X in FY18, Inventory days is at 153 in FY18 Net profit margin stood at 0.27% in FY18 reduced from 0.29% in FY17 , Gap risk arising between provisional and audited financial data of FY 18 **(Based on Provisional FY 18)**

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 **Shree Ganesh Cotex** 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 Firm

Shree Ganesh Cotex was established in 2009 as a partnership firm. The firm is into processing of ginning & pressing of raw cotton and oil extraction. The firm is having seven partners who are Mr. Sureshbhai Vashrambhai Bambhroliva, Mr. Hiren Dineshbhai Bambharolrver, Mr. Prakashbhai Harjibhai Vaghasiya, Mr. Kantilal Bhadabhai Khokhani, Mr. Jaysukh Bhadabhai khokhani, Mr. Rameshbhai Kanjibhai Metaliya and Mr. Dineshbhai Karamshibhai Hothi. Shree Ganesh Cotex is engaged in raw cotton ginning & pressing and oil extraction, where lint and seed is separated from raw cotton (kappas). It procures 90% of raw cotton (kappas) directly from farmers and rest 10% through brokers. After separation, lint is sold to spinning mills and cotton seeds to edible oil companies.

Firm's Financial Performance

Revenue and PAT of Shree Ganesh Cotex stood at Rs. 25.64 Crs and Rs 0.07 Crs in FY18 respectively. The Tangible Net Worth of the firm stood at Rs.3.98 Cr in FY18. **(Based on Provisional FY 18)**



Rating History for the last three years

S.No	Facility	Current Rating (2018)			Rating History	
		Type	Amount (₹ Crs)	Rating	31.3.17	1.3.16
1	Fund based	Long Term	10.00	BWR B- (Pronounced as BWR Single B Minus) Outlook: Stable Downgraded	BWR B (Pronounced as BWR Single B) Outlook: Stable Reaffirmed	BWR B (Pronounced as BWR Single B) Outlook: Stable Reaffirmed
Total			10.00	₹ Ten Crores Only		

Status of non-cooperation with previous CRA : Nil

Any other information- Nil

Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type			
Operating Revenue	₹ Cr	39.85	41.17
EBITDA	₹ Cr	1.38	1.33
PAT	₹ Cr	0.12	0.07
Tangible Net worth	₹ Cr	4.37	4.80
Total Debt/Tangible Net worth	Times	2.50	2.18
Current Ratio	Times	1.40	1.45

Hyperlink/Reference to applicable Criteria

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



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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 ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

DISCLAIMER

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