



## Press Release

### Foram Exim LLP

May 21, 2020

#### Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1.	Long Term/Short Term Fund based/Non Fund Based Bank Facility – Cash Credit/Letter of Credit	5.00	IVR BBB/ IVR A3+ Under Credit Watch with Developing Implications (IVR Triple B / IVR A Three Under Credit Watch with Developing Implications)
2.	Short Term Facility – Non-Fund Based – Letter of Credit	45.00	IVR A3+ (IVR A Three Plus) Under Credit Watch with developing implications
	<b>Total</b>	<b>50.00</b>	

**Details of Facilities are in Annexure I**

#### Detailed Rationale

The aforesaid rating assigned to the bank facilities of the entity derives comfort from G-one groups established market position under its experienced promoters & management team, stable operating performance with moderate financial risk profile marked by comfortable capital structure and prudent working capital management. However, these rating strengths are partially offset by G-one group's thin profit margins and susceptibility of business to the vagaries of the climatic conditions.

The rating is placed under credit watch with developing implication on account of the on-going pandemic situations affecting its key markets. Infomerics is closely monitoring the impact of present pandemic situation and its implications on the business and financial risk profile.

#### Key Rating Sensitivities

##### Upward rating factors

- Sustained & significant improvement in revenue & profit margins
- Sustenance of the capital structure while maintaining the debt protection parameters
- Efficient working capital management with improvement in liquidity

##### Downward rating factors

- Dip in operating income and/or decline in profit margins impacting the debt coverage indicators



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- Withdrawal of subordinated unsecured loans treated as quasi equity and/or moderation in the capital structure with deterioration in the overall gearing to over 1x
- Elongation in the operating cycle impacting the liquidity

### **Key Rating Drivers with detailed description**

#### **Key Rating Strengths**

##### **Experienced promoters and management**

Over the last decade, the G-one group have been engaged in the trading of crude palm oil, soya bean oil, cotton seed oil and so on with an established presence in the organized edible oil market. The group benefits from significant industry experience of its promoters, one Patel family of Gandhinagar, Gujarat, who have been collectively associated with the edible oil industry for around three decades.

##### **Established market position with stable operating performance**

G-One group has an established market position in Gujarat and nearby states with its presence for more than three decades. With an established presence, the group as a whole delivered a stable performance over the years with a steady revenue between INR 1700 Cr – INR 1830 Cr during FY17-19 backed by steady demand for edible oil in the domestic market. Further, during FY20 (Prov.) the group has achieved a total operating income of INR 1905.66 crore with a y-o-y growth of about ~5%.

##### **Moderate financial risk profile with comfortable capital structure**

The financial risk profile of the group is marked by comfortable capital structure backed by healthy net worth with minimal long term debt and moderate debt protection metrics. The group net worth stood healthy at Rs.57.93 crore as on March 31, 2019. The overall gearing stood comfortable at 0.42x as on March 31, 2019. The group mainly use non fund based facilities to fund its creditors. Consequently, total indebtedness of the group as reflected by TOL/ANW remained moderate at 4.22x as on March 31,2019 due to high creditor outstanding. To arrive at the tangible net worth Infomerics has considered unsecured loans aggregating to Rs.8.61 crore as quasi-equity. Further, the debt protection metrics also remained moderate with interest coverage at 1.68x in FY19 (2.27x in FY18 and 2.46x in FY17).



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### **Prudent working capital management**

The group exhibits prudent working capital management as reflected by its modest inventory and controlled receivables. To fund its working capital requirement the group mainly utilises non-fund based limits.

### **Key Rating Weaknesses**

#### **Thin profit margin**

G-one group operates with a thin margin over the years due to its less value additive nature of operations and intense competition in the operating spectrum. The EBIDTA margin of the group remained thin and range bound between 1.05- 1.20% over the last three years (FY17- FY19). Driven by low EBITDA margin, the PAT margin also remained thin during the aforesaid period. Moreover, the PAT margin witnessed a moderation from 0.39% in FY18 to 0.17% in FY19 largely due to increase in interest & finance cost during FY19. Further, the profitability is also susceptible to sharp fluctuations in oil prices, and foreign exchange rates, although the risk is mitigated by low inventory holding and procurement of ~80% of requirement on high sea basis locally.

#### **Agro based products susceptible to the vagaries of the climatic conditions**

The edible oil business is susceptible to risks pertaining to availability of oil, which is dependent on the climatic conditions. Moreover, the raw material prices depend on international prices and demand supply situation both in the domestic and international markets.

### **Analytical Approach: Consolidated**

For arriving at the rating, Infomerics has combined the financial risk profiles G-One Agro Products Limited (GAPL), Aryan Enterprise, Forum Exim LLP and D M Corporation (erstwhile S M Corporation) as these entities are running under a common management, have strong operational and financial linkages and cash flow fungibility. All these entities are collectively referred as the G-one group.

### **Applicable Criteria**

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)



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### Liquidity – Adequate

The liquidity of the G-one group expected to remain adequate in the near to medium term in view of its expected sufficient cash accruals in the range of ~Rs.9-10 crore in FY21-22 as compared to its minimal debt repayment obligation.

### About the Firm

Established in 2003, G-One Agro Products Limited (GAPL) is a Gandhinagar, Gujarat based company. It was previously constituted as a partnership firm in 2001, as G-One Agro Industries and subsequently converted into a public limited company (Unlisted) in November 2003. It undertakes refining of various plant-based crude oils like palm, groundnut, soya bean and cotton. The company markets refined edible oil under its own brand name “Lifol” and also sells the same in bulk to other retail oil packers, who further sell it under their respective brand names.

Foram Exim LLP, established by Mr Kishan Patel (son of Mr. Pankaj Narsinh Patel) and Mrs Krupal Patel (wife of Mr. Appu Bhagvan Patel) in 2017. The primary activities of the firm involves importing of various kinds of edible and non-edible oils namely, crude or refined Oil like Cottonseed Oil, Palm Oil, Soyabean Oil, Mustard Oil, Maize Oil, Sunflower Oil and so on. It then sells these oils to GAPL at prevailing market prices.

### Financials: Combined

(Rs. crore)		
For the year ended/ As on	31-03-2018	31-03-2019
	Combined	Combined
Total Operating Income	1847.16	1825.30
EBITDA	18.10	21.08
PAT	7.20	3.05
Total Debt	24.73	28.15
Tangible Net-worth	50.88	57.93
<b>Ratios</b>		
EBITDA Margin (%)	0.98	1.16
PAT Margin (%)	0.39	0.17
Overall Gearing Ratio (x)	0.42	0.42

\* Classification as per Infomerics' standards



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### Financials: Standalone

	(Rs. crore)	
For the year ended/ As On	31-03-2018	31-03-2019
	(Audited)	(Audited)
Total Operating Income	143.87	146.99
EBITDA	2.03	3.10
PAT	0.62	0.62
Total Debt	1.56	4.75
Tangible Net-worth	1.65	2.08
Ratios		
EBITDA Margin (%)	1.41	2.11
PAT Margin (%)	0.43	0.42
Overall Gearing Ratio (x)	0.94	2.29

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA: N.A.**

**Any other information: N.A.**

### Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Fund Based/Non-Fund Based – Cash Credit/Letter of Credit	Long/Short Term	5.00	IVR BBB/ Credit Watch with Developing Implications;/IVR A3+ (IVR Triple B Credit Watch with Developing Implications;/IVR A Three Plus)	--	--	--
2.	Non-Fund Based – Letter of Credit	Short Term	45.00	IVR A3+ (IVR A Three Plus)	--	--	--

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).



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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.





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### Annexure I: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long/Short Term Fund Based/Non-Fund Based – Cash Credit/Letter of Credit	NA	NA	Revolving	5.00	IVR BBB/ Credit Watch with Developing Implications; /IVR A3+ (IVR Triple B Credit Watch with Developing Implications/IVR A Three Plus)
Short Term Facility –Non Fund Based - Letter of Credit	NA	NA	180 days	40.00	IVR A3+ (IVR A Three Plus) Under Credit Watch with developing implications