Press Release

G-One Agro Products Limited (GAPL)

May 17, 2024

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned	Rating Action	Complexity indicators
1	Long Term Fund Based Facility – Cash Credit	21.00 (reduced from 24.00 crore)	IVR BBB+/Stable Outlook (IVR Triple B plus with Stable Outlook)	Reaffirmed	Simple
2	Long Term Fund Based Facility – Cash Credit	3.00	IVR BBB+/Stable Outlook (IVR Triple B plus with Stable Outlook)	Assigned	Simple
3	Long Term Fund Based Facility – Term Loan	5.53 (reduced from 5.71)	IVR BBB+/Stable Outlook (IVR Triple B plus with Stable Outlook)	Reaffirmed	Simple
4	Long Term Fund Based Facility - GECL	6.65	IVR BBB+/Stable Outlook (IVR Triple B plus with Stable Outlook)	Reaffirmed	Simple
5	Short Term Non-Fund Based Facility – Letter of Credit	180.00	IVR A2 (IVR A Two)	Reaffirmed	Simple
6	Short Term Non-Fund Based Facility – Letter of Credit	50.00	IVR A2 (IVR A Two)	Assigned	Simple
7	Short Term Non-Fund Based Facility – Credit Exposure Limit	4.76	IVR A2 (IVR A Two)	Reaffirmed	Simple
8	Short Term Non-Fund Based Facility – Credit Exposure Limit	1.25	IVR A2 (IVR A Two)	Assigned	Simple
9	Short Term Non-Fund Based Facility – Bank Guarantee	0.75	IVR A2 (IVR A Two)	Reaffirmed	Simple
10	Short Term Non-Fund Based Facility – Proposed Letter of Credit	25.00	IVR A2 (IVR A Two)	Assigned	Simple
	Total	**297.94 (Rupees Two Hundred and Ninety-Seven Crore and Ninety-Four Lakh Only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The assignment of the rating to the bank facilities of G-One Agro Products Limited (GAPL) due to sustained financial performance (especially EBIDTA margin) during FY23.

Further, the rating continues to derive comfort from the Group's established market position and extensive experience of the management, efficient working capital management, healthy growth in operations, comfortable financial risk profile with comfortable capital structure and diversified Product offering. However, the rating strengths are partially offset by thin operating and net margins, and agro based products susceptible to the vagaries of the climatic conditions.

Key Rating Sensitivities: on a consolidated basis

- **Upward Factor**
  - Substantial scaling up of operations in terms of value and volume along with sustained & significant improvement in profitability.
  - Substantial improvement in debt protection metrics and profit margins.
- **Downward Factor**
  - Any decline in scale of operation and/or profitability leading to deterioration of debt protection metrics on a consolidated basis.
  - Decline in sales or margin leading to cash accrual lower than Rs 20 crore.

Key Rating Drivers with detailed description

Key Rating Strengths

Established market position and extensive experience of the management

The group has been engaged in the refining of crude palm oil, soya bean oil, cotton seed oil, etc. over the last three decades, with an established presence in the organized edible oil market. The group benefits from significant industry experience of its promoters, Mr. Bhagvanbhai Patel and Mr. Mavjibhai Patel, who have been associated with the edible oil industry for around three decades. The established market position of the G-one group reflects in the top line of more than ~Rs. 4000 crore in FY23. The group's brand presence and established market position will continue to support the business.

Sound Operational Performance with Comfortable financial risk profile

The group holds a prominent position in the bulk oil market. In spite of high volatility in the edible oil market during last 2 years the group is able to sustain its tonnage volume of sales of around 3.30 – 3.40 Lakh Metric Ton annually. During FY23, price of Palm oil (contributes over 60% of revenue) has corrected by around 13-14% which led to marginal reduction of 7% in operational revenue as compared to FY22. Despite of high volatility in oil prices in FY 23, operating margin remained stable at standalone as well as consolidated level as compared to FY22. The improvement can be attributable to the operational policies of the management where back-to-back sales contracts are being executed to safeguard against any price fluctuation risk. EBITDA has increased by around 42% to Rs. 59.86 cr. on consolidated basis. During FY23, consolidated PAT has decreased to Rs.20.70 cr. from Rs. 33.68 cr in FY22 mainly on account of higher finance cost and depreciation.

The financial risk profile is supported by comfortable net worth & low gearing. Group's capital structure remains robust with below unity debt/equity at 0.30x as on March 31, 2023, backed by repayment of debt and plough back of profits.

Comfortable Liquidity and Efficient working capital management

The group's cash flow from operation also remains adequate. The group is expected to generate sufficient cash accruals on the back of steady increase in operations as against the scheduled debt repayment. The current ratio remained moderate at 1.05x as on March 31, 2023. The average working capital utilisation (Cash credit) for last 12 months ended January 2024 is at ~13% and further has cash and cash equivalent amounting to Rs. 1.18 cr. as on March 31, 2023.

The group exhibits prudent working capital management in FY23 as reflected by its modest inventory (24 days) and controlled receivables (8 days). To fund its working capital requirement, the group mainly utilises non-fund based limits.

Diversified product offering & consequent mitigation of price risk

The company benefits from a diversified product offering in edible oil segment. The company undertakes refining of various crude oils like palm, soya bean, cotton seed, etc. This refined oil is sold under its own brand "Lifol", through a Pan-India distribution network, while the group also sells in the wholesale market to other companies that package the oil and sell them under their brand names. As the group produces a wide variety of edible oils for all consumer and geographical segments, which mitigates the seasonality risk associated with any product. It has a good market position in the bulk segment of the edible oil market, with strong and established relationship with the leading retail players.

Key Rating Weaknesses

Thin operating and net margins

G-one Group operates with a thin margin over the years due to its low value addition nature of operations and intense competition in the operating spectrum. Though the EBIDTA margin of the group has improved to 1.48% in FY23, the PBT & PAT margins remained thin during the aforesaid period. In the projected period also, it is expected to remain same with EBITDA margin of more than unity. The improvement in the profitability margins will be key monitorable factor.

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 fungibility of product profile.

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. The Company is likely to remain exposed to volatility in raw material prices.

Moderation in scale of operations

The group has a diversified customer base spread across 18+ states, which helps them in receiving repeated orders. The group witnessed a decline in total operating income in FY23. The TOI declined to Rs. 4047.55 cr. in FY23 from Rs. 4794.40 cr. in FY22. This was mainly due to price volatility of the edible oils. However, there is an increase in EBITDA in absolute terms to Rs. 59.86 cr. in FY23 from Rs. 42.14 cr. in FY22. EBITDA margin also improved to 1.48% in FY23 from 0.88% in FY22. There is a decline in PAT in absolute terms which led to decrease in PAT margin. This is on account of increase in financial cost and depreciation. The PAT margin declined to 0.51% in FY23 from 0.70% in FY22.

During 9MFY24 GAPL has achieved ~72%, AE has achieved ~59% and NFIL has achieved ~75% of its projected revenue. Looking at the performance of the entire group, the combined achievement stands at around 75%. With this pace, the Group at consolidated level is expected to meet its PAT target, supported by an improving EBITDA margin.

Analytical Approach: Consolidated

For arriving at the rating, Infomerics has combined the financial risk profiles of the following companies/Firms viz. G-One Agro Products Limited (GAPL), Aryan Enterprise, Naturefresh Industries Limited, Foram Exim LLP, DM Corporation, J D Overseas, Ananya Natural Resources LLP and D K Continental as these entities are run under a common management, have strong operational, financial linkages and cash flow fungibility.

Extent of Consolidation: Full

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Consolidation of companies

Criteria for Outlook

Default Recognition Policy

Complexity Level of Rated Instruments/Facilities

Liquidity: Adequate

The group's cash flow from operation remains adequate. The group is expected to generate sufficient cash accruals on the back of steady increase in operations as against the scheduled debt repayment. The current ratio remained moderate at 1.05x as on March 31, 2023. The average working capital utilisation (Cash credit) for last 12 months ended January 2024 is at ~13% and further has cash and cash equivalent amounting to Rs. 1.18 cr. as on March 31, 2023.

About the Company

Established in 2003, G-One Agro Products Limited (GAPL) is a Gandhinagar, Gujarat based company. It was originally 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, 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.

Financials: Consolidated **(Rs. Crore)**

For the year ended/ As On*	**31-3-2022 (Audited)**	**31-3-2023 (Audited)**
Total Operating Income	4794.40	4047.55
EBITDA	42.14	59.86
PAT	33.68	20.70
Total Debt	33.47	42.93
Tangible Net worth	125.84	143.18
Ratios		
EBITDA Margin (%)	0.88	1.48
PAT Margin (%)	0.70	0.51
Overall Gearing ratio (x)	0.27	0.30

** Classification as per Infomerics' standards*

Financials: Standalone **(Rs. Crore)**

For the year ended/ As On*	**31-3-2022 (Audited)**	**31-3-2023 (Audited)**
Total Operating Income	4059.46	3702.34
EBITDA	33.65	41.25
PAT	21.64	16.04
Total Debt	23.97	28.18
Tangible Net worth	103.90	119.94
Ratios		
EBITDA Margin (%)	0.83	1.11
PAT Margin (%)	0.53	0.43
Overall Gearing ratio (x)	0.23	0.23

** 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 2024-25)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Date(s) & Rating(s) assigned		Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23 (March 30, 2023)	Date(s) & Rating(s) assigned in 2021-22 (January 31, 2022)
					April 23, 2024			
1	Cash Credit	Long Term	21.00	IVR BBB+/Stable Outlook	IVR BBB+/Stable Outlook	-	IVR BBB+/Stable	IVR BBB+/Stable
2	Cash Credit (Enhancement)	Long Term	3.00	IVR BBB+/Stable Outlook	-	-	-	-
3	Term Loan	Long Term	5.53	IVR BBB+/Stable Outlook	IVR BBB+/Stable Outlook	-	IVR BBB+/Stable	IVR BBB+/Stable
4	GECL	Long Term	6.65	IVR BBB+/Stable Outlook	IVR BBB+/Stable Outlook	-	IVR BBB+/Stable	IVR BBB+/Stable
5	Letter of Credit	Short Term	180.00	IVR A2	IVR A2	-	IVR A2	IVR A2
6	Letter of Credit (Enhancement)	Short Term	50.00	IVR A2	-	-	-	-
7	Credit Exposure Limit	Short Term	4.76	IVR A2	IVR A2	-	IVR A2	IVR A2
8	Credit Exposure Limit (Enhancement)	Short Term	1.25	IVR A2	-	-	-	-
9	Bank Guarantee	Short Term	0.75	IVR A2	IVR A2	-	IVR A2	IVR A2

10	Proposed Letter of Credit (Enhancement)	Short Term	25.00	IVR A2	-	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

Annexure 1: Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility – Cash Credit	--	--	--	21.00	Reaffirmed
Long Term Fund Based Facility – Cash Credit	--	--	--	3.00	Assigned
Long Term Fund Based Facility – Term Loan	--	--	June, 2029	5.53	Reaffirmed
Long Term Fund Based Facility - GECL	--	--	September, 2027	6.65	Reaffirmed
Short Term Non-Fund Based Facility – Letter of Credit	--	--	--	180.00	Reaffirmed
Short Term Non-Fund Based Facility – Letter of Credit	--	--	--	50.00	Assigned
Short Term Non-Fund Based Facility – Credit Exposure Limit	--	--	--	4.76	Reaffirmed
Short Term Non-Fund Based Facility – Credit Exposure Limit	--	--	--	1.25	Assigned
Short Term Non-Fund Based Facility – Bank Guarantee	--	--	--	0.75	Reaffirmed
Short Term Non-Fund Based Facility – Proposed Letter of Credit	--	--	--	25.00	Assigned
Total				297.94	

Annexure 2: List of companies considered for consolidated analysis:

Name of the Company	Consolidation Approach
G One Agro Products Limited	Full*
Aryan Enterprise	Full*
Naturefresh Industries Limited	Full*
Foram Exim LLP	Full*

DM Corporation	Full*
J D Overseas	Full*
Ananya Natural Resources LLP	Full*
D K Continental	Full*

Intercompany transaction has been adjusted as per Infomerics standard

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/len-GoneAgro-may24.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 5: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.