G-One Agro Products Limited (GAPL)

March 6, 2023

Sl. No.	Instrument/Facility	Amount (INR. Crore)	Rating Assigned	Rating Action	Complexity indicators
1	Long Term Fund Based Facility – Cash Credit	24.00	IVR BBB+/Stable Outlook (IVR Triple B plus with Stable Outlook)	Reaffirmed	Simple
2	Long Term Fund Based Facility – Working Capital Demand Loan	6.32 (Increased from 2.10)	IVR BBB+/Stable Outlook (IVR Triple B plus with Stable Outlook)	Reaffirmed	Simple
3	Long Term Fund Based Facility - GECL	6.65	IVR BBB+/Stable Outlook (IVR Triple B plus with Stable Outlook)	Assigned	Simple
4	Short Term Non Fund Based Facility – Letter of Credit	180.00 (Increased from 110)	IVR A2	Reaffirmed	Simple
5	Short Term Non Fund Based Facility – Credit Exposure Limit	4.76 (Increased from 4.00)	IVR A2	Reaffirmed	Simple
6	Short Term Non Fund Based Facility – Bank Guarantee	0.75	IVR A2	Reaffirmed	Simple
	Total	**222.48 (Increased from 173.75)**	**Two Hundred Twenty Two Crore and Forty Eight Lakh**		

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the rating to the bank facilities of G-One Agro Products Limited (GAPL) reflects the overall improvement in the financial & operational parameter since last rating as expected. The improvement in performance is because of the increase in the average realization of products coupled with increase in sales quantity.

Further, the rating continues to derives comfort from its 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:

- **Upward Factor –** on a consolidated basis
  - Substantial scaling up of operations in terms of value and volume along with sustained & significant improvement in profitability
  - Substantial or sustained improvement in debt protection metrics
- **Downward Factor –** on a consolidated basis
  - Any decline in scale of operation and/or profitability leading to deterioration of debt protection metrics.

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 & Mr. Mavjibhai Patel, who have been associated with the edible oil industry for around three decades. The established market position of the GAPL reflects in the top line of more than ~INR4059 Crore in FY22 (FY21: INR2362.97 Crore)

Efficient working capital management

The group exhibits prudent working capital management in FY22 as compared to FY21 as reflected by its modest inventory (13 days; 21 days respectively) and controlled receivables (5 days and 15 days respectively). To fund its working capital requirement, the group mainly utilises non-fund based limits

Healthy growth in operations

The group has a diversified customer base spread across 18+ states, which helps them in receiving repeated orders. The group witnessed a healthy growth in operation with y-o-y increase of about ~91% in turnover to INR4781.57 Crore in FY22 (FY21: INR2506.49 Crore) The revenue increase is attributed to increase in average sales realization in case of edible oils. It also witnessed improved absolute EBITDA to INR29.32Crore (INR23.67 Crore) and PAT to INR33.68 Crore (INR14.36 Crore).

During 9MFY23, GAPL has achieved revenue of ~INR2925 Crore, registered EBITDA of INR29.25 Crore and PAT amounted to INR15.68 Crore.

Comfortable financial risk profile with comfortable capital structure

The overall gearing of the group has remained stable and improved to 0.50x as on March 31st, 2022 (0.60x). The interest coverage has also improved and remained comfortable at 3.24x in FY22 when compared to 2.42x in FY21. TOL/TNW has stood moderate at 8.41x as on March 31st, 2022 (5.11x).

Diversified Product offering

The company benefits from a diversified product listing. 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.

Key Rating Weaknesses

Thin operating and net margins

The 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 margins of the group are range bound between 0.61- 0.95% over the last three years (FY20-FY22) also driven by low EBITDA margins, the PBT & PAT margins also remained thin during the aforesaid period. However, in the projected period the same are expected to improve 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 procurement of ~35% 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. The Company is likely to remain exposed to volatility in raw material prices.

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

Liquidity: Adequate

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 moderately comfortable at 0.92x as on March 31, 2022. The average working capital utilisation for last 12 months ended October 2022 is at ~18% and further has cash and cash equivalent amounting to INR34.13 Crore as on March 31, 2022 in case of G one Agro

About the Company

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, 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 **(INR. Crore)**

For the year ended/ As On*	31-3-2021 (Audited)	31-3-2022 (Audited)
Total Operating Income	2506.49	4781.57
EBITDA	23.67	29.32
PAT	14.36	33.68
Total Debt	29.20	33.47
Tangible Net worth	100.00	125.84
Ratios		
EBITDA Margin (%)	0.94	0.61
PAT Margin (%)	0.57	0.70
Overall Gearing ratio (x)	0.29	0.27

** Classification as per Infomerics' standards*

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

For the year ended/ As On*	31-3-2021 (Audited)	31-3-2022 (Audited)
Total Operating Income	2362.97	4059.46
EBITDA	20.18	33.65
PAT	10.01	21.64
Total Debt	25.15	23.97
Tangible Net worth	82.25	103.90
Ratios		
EBITDA Margin (%)	0.85	0.83
PAT Margin (%)	0.42	0.53
Overall Gearing ratio (x)	0.31	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 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (Jan 31, 2022)	Date(s) & Rating(s) assigned in 2020-21 (February 5, 2021)	Date(s) & Rating(s) assigned in 2019-20 (November 15, 2019)
1	Long Term Fund Based Facility – Cash Credit	Long Term	24.00	IVR BBB+/Stable Outlook	IVR BBB+/Stable Outlook	IVR BBB / Stable Outlook	IVR BBB / Stable Outlook
2	Long Term Fund Based Facility – Working Capital Demand Loan	Long Term	6.32	IVR BBB+/Stable Outlook	IVR BBB+/Stable Outlook	IVR BBB / Stable Outlook	IVR BBB / Stable Outlook
3	Long Term Fund Based Facility - GECL	Long Term	6.65	IVR BBB+/Stable Outlook	IVR BBB+/Stable Outlook	IVR BBB / Stable Outlook	IVR BBB / Stable Outlook
4	Short Term Non Fund Based Facility – Letter of Credit	Short Term	180.00	IVR A2	IVR A2	IVR A3+	IVR A3+

5	Short Term Non Fund Based Facility – Credit Exposure Limit	Short Term	4.76	IVR A2	IVR A2	IVR A3+	IVR A3+
6	Short Term Non Fund Based Facility – Bank Guarantee	Short Term	0.75	IVR A2	IVR A2	IVR A3+	IVR A3+

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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.

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Annexure 1: Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility – Cash Credit	--	--	--	24.00	Reaffirmed
Long Term Fund Based Facility – Working Capital Demand Loan	--	--	Up to March, 2030	6.32	Reaffirmed
Long Term Fund Based Facility - GECL	--	--	Up to September, 2025	6.65	Assigned
Short Term Non Fund Based Facility – Letter of Credit	--	--	--	180.00	Reaffirmed
Short Term Non Fund Based Facility – Credit Exposure Limit	--	--	--	4.76	Reaffirmed
Short Term Non Fund Based Facility – Bank Guarantee	--	--	--	0.75	Reaffirmed
Total				222.48	

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/Lenders-GoneAgro-mar23.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.