

Press Release

G-One Agro Products Limited

November 15, 2019

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1.	Long Term Bank Facility – Cash Credit	24.00	IVR BBB / Stable Outlook (IVR Triple B with Stable Outlook)
2.	Long Term Proposed Bank Facility – Proposed Term Loan	3.00	IVR BBB / Stable Outlook (IVR Triple B with Stable Outlook)
3.	Short Term Non-Fund Based Facility – Letter of Credit	50.00	IVR A3+ (IVR A Three Plus)
4.	Short Term Non-Fund Based Facility – Credit Exposure Limits	4.00	IVR A3+ (IVR A Three Plus)
5.	Short Term Bank Facility – Bank Guarantee	0.75	IVR A3+ (IVR A Three Plus)
6.	Short Term Proposed Bank Facility	92.00	IVR A3+ (IVR A Three Plus)
	Total	173.75	

Details of Facilities are in Annexure 1

Detailed Rationale

The rating derives strength from extensive experience of management resulting in established market position, efficient working capital management, moderate 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 susceptibility of agro based products to the vagaries of the climatic conditions.

Key Rating Sensitivities

Upward Factors:

- Sustained improvement in operating cash flows
- Efficient working capital management

Downward Factors:

- Sharp changes in leverage
- Downward bias in margins

List of key rating drivers with detailed description

Key Rating Strengths

Established market position and extensive experience of the management

GAPL 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 company 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 30 years now. The established market position is shown in the top line of Rs. 1820.37 crore in FY19.

Efficient working capital management

GAPL's operations are not working-capital-intensive, as reflected in its gross current assets of 47 days as on March 31, 2019. The low level of gross current assets is on account of moderate inventory days of around 26 days and receivables cycle of about 8 days. The average capacity utilisation was over 85% in FY19.

Moderate Financial Risk profile with comfortable capital structure

The financial risk profile is marked by healthy net worth of Rs.59.67 crore in FY19. Interest coverage ratio remained moderate at 2.66x in FY19 (2.93x in FY18). Also, the company has a comfortable capital structure marked by an overall gearing ratio of 0.39x and long term debt to equity of Nil as on March 31, 2019 when compared to 0.43x and 0.02x, respectively as on March 31, 2018.

Diversified Product offering

GAPL benefits from a diversified product listing. The company undertakes refining of various crude oils like palm, soya bean and cotton seed. This refined oil is sold under its own brand Lifol, through a Pan-India distribution network, while the company also sells in the wholesale market to other companies that package the oil and sell them under their brand names.

Key Rating Weakness

Thin operating and net margins

The rating is constrained by the inherently thin margins in this line of business. GAPL's operating profitability remained stagnant with operating margins at 0.95% in FY19 as

compared to 0.87% in FY18. The net profit, on the other hand, dropped to Rs.5.75 crore in FY19 as compared to Rs.6.01 crore in previous year, with the PAT margin falling marginally from 0.33% in FY18 to 0.32% in FY19. This is largely in account of the increased interest & finance costs borne by the company.

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 & Applicable Criteria

Standalone Approach

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity

GAPL's cash flow from operations have remained positive supported by low working capital intensity operations. Also, the company does not have any term debt and consequently no major repayments are due in the medium term. Overall liquidity position is adequate in nature.

About the Company

Established in 2003, G-One Agro Products Limited (GAPL) is a Chhatral, Gujarat based company. 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**(Rs. crore)**

For the year ended* / As On	31-03-2018 (Audited)	31-03-2019 (Audited)
Total Operating Income	1844.26	1820.37
EBITDA	15.99	17.33
PAT	6.01	5.75
Total Debt	23.17	23.39

Tangible Net worth	53.88	59.67
EBITDA Margin (%)	0.87	0.95
PAT Margin (%)	0.33	0.32
Overall Gearing Ratio (x)	0.43	0.39

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: None

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Bank Facility – Cash Credit	Long Term	24.00	IVR BBB/ Stable outlook	--	--	--
2.	Long Term Proposed Bank Facility – Proposed Term Loan	Long Term	3.00	IVR BBB/ Stable outlook	--	--	--
3.	Short Term Non-Fund Based Facility – Letter of Credit	Short Term	50.00	IVR A3+	--	--	--
4.	Short Term Non-Fund Based Facility – Credit Exposure Limits	Short Term	4.00	IVR A3+	--	--	--
5.	Short Term Bank Facility – Bank Guarantee	Short Term	0.75	IVR A3+	--	--	--
6.	Short Term Proposed Bank Facility	Short Term	92.00	IVR A3+	--	--	--

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.

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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.

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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 Bank Facility – Cash Credit	--	--	--	24.00	IVR BBB/ Stable outlook
Long Term Proposed Bank Facility – Proposed Term Loan	--	--	--	3.00	IVR BBB/ Stable outlook
Short Term Non-Fund Based Facility – Letter of Credit	--	--	--	50.00	IVR A3+
Short Term Non-Fund Based Facility – Credit Exposure Limits	--	--	--	4.00	IVR A3+

Short Term Bank Facility – Bank Guarantee	--	--	--	0.75	IVR A3+
Short Term Proposed Bank Facility	--	--	--	92.00	IVR A3+