

Press Release

Geeta Refinery Private Limited

January 31, 2019

Rating Downgraded



Total Bank Facilities Rated*	Rs. 50.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable (Downgraded from ACUITE BBB- / Stable)

* Refer Annexure for details

Rating Rationale

Acuite has downgraded long-term rating to '**ACUITE B+**' (read as **ACUITE B plus**) from '**ACUITE BBB / Stable**' (read as **triple B**) on the Rs. 50.00 crore bank facilities of Geeta Refinery Private Limited (GRPL). The outlook is 'Stable'.

The downgrade is in view of stretched liquidity in Abhay Nutrition Private Limited (ANPL), declining margins, and deteriorating working capital cycle.

GRPL, incorporated in 1998, is a Maharashtra-based company promoted by Mr. Atul Mantri and Mr. Pradeep Totala. The company is engaged in the refining of soya crude, cotton apart from trading of Palmolein and Sunflower oil. The company has installed capacity of 175 metric tonnes per day (MTPD). The company also manufactures briquette coal.

Analytical Approach

Acuite has considered the consolidated business and financial risk profiles of Geeta Refinery Private Limited (GRPL), Abhay Nutrition Private Limited (ANPL) and Bhakti Extractions Private Limited (BEPL) hereinafter referred to as the Geeta Group. The consolidation is mainly on account of similarities in the lines of business, strong operational, financial synergies and common management. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

Strategic plant location

The group is mainly into processing of soya and cotton oil at Jalna, Maharashtra. The manufacturing facility is in close proximity to soya and cotton growing regions.

Experienced management and established track record of operations

The group, promoted by the Mantri family has a track record of almost two decades. The promoters have extensive industry experience and have established long term relations with customers. The products are sold under the brand names of 'Abhay', 'Krishi', 'Shristi'.

Moderate Financial Risk Profile

Geeta Group has moderate financial risk profile marked by tangible net worth of Rs. 71.86 crore (includes quasi capital of Rs.29.52 crore) as on 31 March, 2018 as against Rs.59.90 crore (includes quasi capital of Rs.24.85 crore) as on 31 March, 2017. The adjusted gearing stood at 1.76 times as on 31 March, 2018 against 1.42 times as on 31 March, 2017. The debt of Rs.126.26 crore mainly consists of term loans of Rs.7.82 crore, preference share capital of Rs. 10.75 crore and working capital borrowings of Rs. 107.69 crore as on 31 March, 2018. The Interest Coverage Ratio (ICR) stood at 1.63 times for FY2018 as against 1.60 times in FY2017. The Debt Service Coverage Ratio (DSCR) stood at 1.51 times for FY2018 as against 1.46 times in FY2017. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.21 times as on 31 March, 2018 as against 1.88 times as on 31 March, 2017. The Net Cash Accruals (NCA) stood at Rs.6.75 crore for FY2018 against a debt obligation of Rs.1.05 crore.

Weaknesses

Low profit margins inherent in the edible oil business

The group operates in the edible oil market, characterised by thin margins due to low value additive nature, intense competition. In FY2018, the operating margin stood at 3.77 percent as against 3.03 percent in FY2017

and 2.91 per cent in FY2016.

Moderate Working Capital Cycle

The group has moderate working capital cycle marked by high Gross Current Assets (GCA) of 129 days in FY2018 compared to 73 days in FY2016. The GCA days are mainly dominated by high inventory of 97 days in FY2018 and 57 days in FY2017. The average cash credit utilisation for the past six months stood at ~85 percent. Acuite believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Outlook: Stable

Acuite believes that the Geeta Group will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the group registers healthy growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins or deterioration in the financial risk profile and liquidity position.

About the Group

Incorporated in 2004, BEPL is a Maharashtra-based company promoted by Mr. Atul O. Mantri and Mr. Omprakash A. Mantri. The company is engaged in the crushing and processing of soya bean seeds for extraction of soya de-oiled-cake (DOC), soya grits and soya wash oil. The installed capacity stands at 40000 metric tonnes per year. ANPL incorporated in 2008, is a Maharashtra-based company promoted by Mr. Ashish Mantri. The company is engaged in the crushing and processing of cotton seeds for extraction of cotton de-oiled-cake (DOC) and cotton oil. The company has two manufacturing units located in Dhulia and Jalna with an installed capacity of 500 metric tonnes per day each.

Liquidity Position

Geeta group has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.6.00 to 7.00 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.1.00-3.00 crore over the same period. The cash accruals of the group are estimated to remain around Rs.5.70 – 7.40 crore during 2019-21 while its repayment obligation are estimated to be around Rs. 1.00 – 2.00 crore. The group's operations are moderately working capital intensive as marked by gross current asset (GCA) days of 129 in FY 2018. This has led to lower reliance on working capital borrowings, the cash credit limit in the group remains utilized at 85 percent during the last 12 months period ended December 2018. The group maintains unencumbered cash and bank balances of Rs.0.72 crore as on March 31, 2018. The current ratio of the group stands healthy at 1.36 times as on March 31, 2018. Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	543.95	538.50	554.18
EBITDA	Rs. Cr.	20.51	16.30	16.13
PAT	Rs. Cr.	3.29	1.84	2.00
EBITDA Margin	(%)	3.77	3.03	2.91
PAT Margin	(%)	0.61	0.34	0.36
ROCE	(%)	10.45	11.10	20.87
Total Debt/Tangible Net Worth	Times	1.76	1.42	2.67
PBDIT/Interest	Times	1.63	1.60	1.77
Total Debt/PBDIT	Times	5.90	4.66	5.29
Gross Current Assets (Days)	Days	129	94	72

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
08-Feb-2018	Cash Credit	Long Term	32.00	ACUITE BBB- / Stable (Assigned)
	Term Loan	Long Term	1.82	ACUITE BBB- / Stable (Assigned)
	Term Loan	Long Term	6.25	ACUITE BBB- / Stable (Assigned)
	Proposed Cash Credit	Long Term	9.93	ACUITE BBB- / Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	41.00	ACUITE B+ / Stable (Downgraded)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.65	ACUITE B+ / Stable (Downgraded)
Term loans	Not Applicable	Not Applicable	Not Applicable	5.60	ACUITE B+ / Stable (Downgraded)
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.75	ACUITE B+ / Stable (Downgraded)

Contacts

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About Acuité Ratings & Research:

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