

## Press Release

### Map Oil LLP

April 28, 2021



### Rating Downgraded

<b>Total Bank Facilities Rated*</b>	Rs. 44.50 Cr*
<b>Long Term Rating</b>	ACUITE D (Downgraded from ACUITE BBB/ Stable)
<b>Short Term Rating</b>	ACUITE D (Downgraded from ACUITE A3+)

\* Refer Annexure for details

### Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE D' (read as ACUITE D)** from '**ACUITE BBB' (read as ACUITE triple B)** and the short-term rating to '**ACUITE D' (read as ACUITE D)** from '**ACUITE A3+' (read as ACUITE A3 plus)** on the Rs. 44.50 Cr bank facilities of Map Oil LLP (MOL).

#### Rationale for rating downgrade

The rating downgrade reflects instances of delay in servicing of debt by MOL for the months of January, February and March 2021. The dues for February 2021 and March 2021 are yet to be serviced by the entity as confirmed by the bankers. The rating downgrade also reflects the overdrawn status of the Cash Credit account for over 30 days as on April 26, 2021.

It may be noted that Acuite had conducted a review of the rating of MOL in January 2021 and there was no indication of any significant stress on the liquidity position, provided either by the entity or its bankers at that point in time. Further, MOL had furnished no default statements (NDS) for the months of January and February 2021 confirming regular debt servicing, which clearly was a misrepresentation of facts given the latest feedback received from the bankers.

#### Analytical Approach

Acuite has considered a consolidated view of business and financial risk profiles of MOL and MAP Refoils India Limited (MRIL) to arrive at this rating, owing to similar line of business, common management and operational as well as financial synergies between the entities. Both the entities together hereinafter referred to as "Map Group". Extent of consolidation: Full.

#### About the Company: MAP Oil LLP

Established in the year 2016, MOL is based out of Gujarat and is engaged in the production of Vanaspati Ghee with an installed capacity of 100 tonnes per day. The partners of the firm are Mr. Mehulkumar A. Patel and Mrs. Khushboo M. Patel. The firm caters to retail segment under the brand name of "Sur". MOL is distributing its goods in across the country through its established dealer distribution network.

The firm is a part of 'MAP Group', which has diverse business interests across cotton ginning, pressing, spinning, refining of edible oil, agro commodity trading, production of Vanaspati Ghee, etc.

### Key Rating Drivers

#### Strengths

##### • Experienced management

Map group is promoted by Mr. Arvinbhai Patel along with his family who have an experience of more than two decades in the aforementioned industry. With extensive experience, active

participation and their in-depth understanding of the industry has helped the group in developing long-term relationships with its customers and suppliers. Promoters have experience of more than two decades in various businesses across various sectors such as cotton ginning, pressing, spinning, refining of edible oil, agro commodity trading and production of Vanaspati Ghee.

Acuite believes that the group will continue to benefit from the extensive experience of the promoters in the varied line of businesses.

#### • **Healthy business risk profile**

The operations of the group have improved marked by an increase in the operating income to Rs. 1,147.92 Cr in FY2020 (Provisional) as against Rs. 986.03 Cr in FY2019. The operating income of the group has improved at a CAGR of 69.89 per cent over the past five years. In addition to this, the group has reported sustained improvement in EBITDA margins to 3.80 per cent in FY2020 (Provisional) from 3.61 per cent in FY2019 and 2.94 per cent in FY2018.

Additionally, MOL and MRIL has an average order book position of Rs. 25.43 Cr and Rs. 252.30 Cr, respectively to be executed over a period of 2.5 to 3 months ensuring revenue visibility.

The improvement in overall business risk profile is on account of stabilized business operations, established brand name and healthy demand for the products in the market.

#### **Weaknesses**

##### • **Profitability susceptible to volatility in raw material prices**

Oilseed production in India is insufficient to meet rising demand in India; thus, gap between demand and supply is generally met through imports. Thus, prices are determined by global forces of demand and supply which results in volatility in prices both at input level as well as at end product level. Moreover, government intervenes at regular intervals in the form of changes in duty structure to protect the interest of refiners and to narrow the gap between duties on crude oil and refined oil. Also, oilseed production is exposed to vagaries of nature. The group's raw material cost accounts for ~93 per cent in its cost of sales. Thus, its profitability is exposed to volatility in raw material prices.

##### • **Competitive and fragmented industry**

The group operates in a highly competitive and fragmented industry and faces tough competition from various established brands in the edible oil industry as well as several unorganised players, which can have an impact on the bargaining powers with the customers and hence the margins.

##### • **Delays in servicing of debt obligations**

The latest feedback received from the bankers confirm that MOL has been delaying the servicing of its debt obligations since the month of January 2021; The stretch in liquidity is due to slow realisation from debtors and increased cash flow mismatches vis-à-vis repayment obligations. This has also caused overdrawals of the working capital fund-based facility.

#### **Rating Sensitivity**

- Timely servicing of debt servicing obligations for more than three months

#### **Material Covenants**

None

#### **Liquidity: Stretched**

The group has stretched liquidity profile marked by recent instances of delays in servicing of debt obligations. The fund-based working capital limits for MOL is overdrawn since March 1, 2021. Also, the term loan obligations for the month of February and March 2021 are yet to be serviced at this point in time.

### About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	1,147.92	986.03
PAT	Rs. Cr.	7.51	4.15
PAT Margin	(%)	0.65	0.42
Total Debt/Tangible Net Worth	Times	0.76	1.04
PBDIT/Interest	Times	1.63	1.61

### Status of non-cooperation with other CRA

None

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History (Up to previous three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
05 February 2021	Cash Credit	Long term	29.00	ACUITE BBB/ Stable (Upgraded)
	Term Loan	Long term	10.82	ACUITE BBB/ Stable (Upgraded)
	Proposed Bank Facility	Long term	4.18	ACUITE BBB/ Stable (Upgraded)
	Bank Guarantee/ Letter of Guarantee	Short term	0.50	ACUITE A3+ (Upgraded)
19 September 2019	Cash Credit	Long term	29.00	ACUITE BBB-/ Stable (Reaffirmed)
	Term Loan	Long term	14.64	ACUITE BBB-/ Stable (Reaffirmed)
	Proposed Bank Facility	Long term	0.50	ACUITE BBB-/ Stable (Reaffirmed)
	Bank Guarantee/ Letter of Guarantee	Short term	0.36	ACUITE A3 (Reaffirmed)
26 June 2018	Cash Credit	Long term	29.00	ACUITE BBB-/ Stable (Assigned)
	Term Loan	Long term	14.64	ACUITE BBB-/ Stable (Assigned)
	Bank Guarantee	Short term	0.50	ACUITE A3 (Assigned)

	Proposed Bank Facility	Short term	0.36	ACUITE A3 (Assigned)
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**\*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	29.00	ACUITE D (Downgraded)
Term Loan	July 2017	10.82%	March 2025	10.82	ACUITE D (Downgraded)
Proposed Fund-based facilities	Not Applicable	Not Applicable	Not Applicable	4.18	ACUITE D (Downgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE D (Downgraded)

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**About Acuité Ratings & Research:**

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