

Press Release
Map Refoils India Limited

June 26, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 199.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and '**ACUITE A3**' (**read as ACUITE A three**) on the Rs.199.00 crore bank facilities of MAP Refoils India Limited. The outlook is '**Stable**'.

MAP Refoils India Limited (MRIL) incorporated in 2016, is an Ahmedabad (Gujarat) based company promoted by Mr. Arvindbhai K. Patel, Mr. Mehulbhai A. Patel and Mrs. Khushboo M. Patel. MRIL is engaged in the refining of cotton seed, soya, sunflower, groundnut, corn, mustard and palm oil. The company has installed capacity of 600 Tonnes Per Day (TPD). The products are sold under the brand name of 'MAP'.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of MAP Refoils India Limited and MAP Oil LLP together referred to as the 'MAP Group' to arrive at the rating. The consolidation is in view of operational and financial synergies and common management.

Key Rating Drivers

Strengths

• Experienced management

The group is promoted by Mr. Arvindbhai K. Patel, Mr. Mehulbhai A. Patel and Mrs. Khushboo M. Patel having an established presence in the market for almost two decades. The promoters backed by their experience have been able to generate longstanding relationship with their customers promoting their brand names viz. 'MAP' and 'SOOR' through the widespread distribution channels and few retail outlets.

• Above average financial risk profile

The group has above average financial risk profile marked by tangible net worth of Rs.74.84 crore as on 31 March, 2017 as against Rs.36.48 crore as on 31 March, 2016. The increase in the net worth was mainly on account of addition of the quasi equity by the promoters. Net worth includes unsecured loan of Rs.37.84 crore as on 31 March, 2017 which is considered as quasi equity as same is subordinated to bank debt. The adjusted gearing stood at 1.31 times as on 31 March, 2017 as against 1.21 times as on 31 March, 2016. The debt of Rs.98.19 crore mainly consists of term loans of Rs.33.72 crore and working capital borrowings of Rs.64.47 crore as on 31 March, 2017. Interest Coverage Ratio (ICR) stood at 1.61 times for FY2017 as against 1.92 times in FY2016. Debt Service Coverage Ratio (DSCR) stood at 1.41 times for FY2017 as against 1.55 times in FY2016. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.04 times as on 31 March, 2017 as against 1.50 times as on 31 March, 2016. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.04 times as on 31 March, 2017 as against 0.03 times as on 31 March, 2016.

• Healthy revenue growth

The group has been growing at a CAGR of 95.54 percent from FY2016 to FY2018. The company earned revenue of Rs.497.39 crore in FY2017 and has achieved gross revenue of Rs.1108.26 crore for FY2018 (Provisional).

- **Strategic plant location**

The group is mainly into processing of soya and cotton oil at Kadi-Kalol (Gujarat). The manufacturing facility is in close proximity to soya and cotton growing regions.

Weaknesses

- **Low profit margins inherent in edible oil business**

The group is operating in edible oil market characterised by thin margin business due to low value additive nature and intense competition. In FY2017, the company's operating margin stood at 2.82 percent as against 2.65 percent in FY2016. The Profit after Tax (PAT) margins stood at 0.06 percent in FY2017 as against 0.19 percent in FY2016. The decrease in the PAT margins was mainly on account of increase in the interest cost.

- **Profitability is exposed 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 ~94 percent 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.

Outlook: Stable

Acuité believes the group will maintain a 'Stable' business risk profile over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the group registers healthy growth in revenues 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 the revenues or profit margins, or in case of deterioration in the financial risk profile.

About the Group

MAP Group is promoted by Mr. Arvindbhai Patel and family. The group consists of 8 companies viz. MAP Ventures Private Limited, MAP Resources Private Limited, MAP Limited, MAP Refoils India Limited, MAP Oil LLP, MAP Overseas LLP, MAP India Private Limited and MAP Cotton Private Limited. The group is engaged in various activities like cotton ginning, pressing, spinning, refining of edible oil and production of Vanaspati ghee.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	497.39	148.22
EBITDA	Rs. Cr.	14.02	3.93
PAT	Rs. Cr.	0.31	0.29
EBITDA Margin	(%)	2.82	2.65
PAT Margin	(%)	0.06	0.19
ROCE	(%)	8.77	7.43
Total Debt/Tangible Net Worth	Times	1.31	1.21
PBDIT/Interest	Times	1.61	1.92
Total Debt/PBDIT	Times	6.70	11.20
Gross Current Assets (Days)	Days	123	152

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>
- 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)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	38.50	ACUITE BBB- / Stable (Assigned)
Term Loans	Not Applicable	Not Applicable	Not Applicable	5.75	ACUITE BBB- / Stable (Assigned)
Term Loans	Not Applicable	Not Applicable	Not Applicable	8.34	ACUITE BBB- / Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	16.60	ACUITE BBB- / Stable (Assigned)
Term Loans	Not Applicable	Not Applicable	Not Applicable	6.95	ACUITE BBB- / Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.90	ACUITE BBB- / Stable (Assigned)
Term Loans	Not Applicable	Not Applicable	Not Applicable	2.55	ACUITE BBB- / Stable (Assigned)
Term Loans	Not Applicable	Not Applicable	Not Applicable	2.22	ACUITE BBB- / Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE BBB- / Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A3 (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A3 (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	21.50	ACUITE A3 (Assigned)
Bank Guarantee/ Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.45	ACUITE A3 (Assigned)
Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	31.24	ACUITE A3 (Assigned)

Contacts

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About Acuité Ratings & Research:

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