

Press Release

Map Refoils India Limited

September 19, 2019

Rating Reaffirmed



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

* Refer Annexure for details

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short-term rating of '**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, 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 its manufacturing unit located at Kadi, Gujarat with an installed capacity of 600 Tonnes Per Day (TPD). The products are sold under the brand name of 'MAP'.

Analytical Approach

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

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 such as cotton ginning, pressing, spinning, refining of edible oil and production of Vanaspati ghee and butter.

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. Mr. Mehul Patel manages all day-to-day operations and marketing of the group. The promoters backed by their experience have been able to generate long-standing relationship with their customers promoting their brand names viz. 'MAP' and 'SOOR' through the widespread distribution channels and few retail outlets. Further, 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. This strategic plant location also helps the group to expand. Further, Acuite believes that the group will benefit from its market position and established brands in the Gujarat edible oil industry over the medium term.

• Efficient working capital management

MAP Group's working capital is efficiently managed as is reflected by its gross current asset (GCA) days of around 93 days estimated as on March 31, 2019 (Provisional). The company maintains raw material inventory of around 30-35 days and finished goods inventory of just 15-20 days as the work in process cycle time is low. The group extends a credit period of around 30-45 days to its customers and realizes payments within 40-50 days. On the other hand, the company gets 15-30 days credit from its suppliers. However, the reliance on working capital limits is high, leading to high utilisation of its bank lines over the last six months through August 2019. Acuite expects the working capital management to remain efficient over the medium term on account of the lean inventory levels maintained by the group.

• **Healthy revenue growth and profitability margins**

MAP group has been growing at a CAGR of ~39 per cent from FY2017 to FY2019 (Provisional). The group showed healthy growth in revenues marked by operating income of Rs.972.07 crore in FY2019 (Provisional) as against Rs.1039.98 crore in FY2018 and Rs.497.39 crore in FY2017. This is mainly on account of decrease in oil prices in FY2019 against FY2018. However, the quantity and capacity utilization has not changed.

The group is operating in edible oil market characterized by thin margin business due to low value additive nature and intense competition. The group's operating margin stood at 3.27 per cent in FY2019 (Provisional) as against 2.94 per cent in FY2018. The Profit after Tax (PAT) margins stood at 0.63 per cent in FY2019 (Provisional) as against 0.58 per cent in FY2018. Acuite believes that the company's ability to register significant growth in its revenues, while improving its profitability, would be key rating sensitivity

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 ~94 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.

Liquidity position:

MAP Group has adequate liquidity marked by net cash accruals as compared to its maturing debt obligations. The group generated cash accruals of Rs.3.7-12.3 crore during the last three years through 2017-19 (Provisional), while the maturing debt obligations were in the range of Rs.8.5 crore over the same period. The cash accruals are estimated to improve to Rs.14.00-17.00 crore during 2020- 22, while its repayment obligations are Rs.8.6 crore. This is on account of significant improvement in revenue leading to high profitability. The group maintains cash and bank balances of Rs.5.46 crore as on March 31, 2019 (Provisional). The current ratio stood moderate at 1.80 times as on March 31, 2019 (Provisional). Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account of improvement in net cash accruals.

Outlook: Stable

Acuite believes that MAP Group's outlook will remain 'Stable' over the medium term from its experienced management along with significant improvement in revenues and profitability, and efficient working capital operations. The outlook may be revised to 'Positive' in case of higher than expected growth in its revenues, while improving its profitability. The outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or stretch in its working capital management leading to deterioration of its financial risk profile and liquidity positions.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	972.07	1039.98	497.39
EBITDA	Rs. Cr.	31.80	30.56	14.02
PAT	Rs. Cr.	6.10	6.02	0.31
EBITDA Margin	(%)	3.27	2.94	2.82
PAT Margin	(%)	0.63	0.58	0.06
ROCE	(%)	8.50	10.00	7.92
Total Debt/Tangible Net Worth	Times	0.84	0.86	1.54
PBDIT/Interest	Times	1.76	1.70	1.61
Total Debt/PBDIT	Times	4.31	4.32	8.30
Gross Current Assets (Days)	Days	99	120	138

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
26-Jun-2018	Cash Credit	Long Term	38.50	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	5.75	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	8.34	ACUITE BBB-/Stable (Assigned)
	Cash Credit	Long Term	16.60	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	6.95	ACUITE BBB-/Stable (Assigned)
	Cash Credit	Long Term	11.90	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	2.55	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	2.22	ACUITE BBB-/Stable (Assigned)
	Cash Credit	Long Term	35.00	ACUITE BBB-/Stable (Assigned)
	Letter of Credit	Short Term	12.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	6.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	21.50	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	0.45	ACUITE A3 (Assigned)
	Proposed Letter of Credit	Short Term	31.24	ACUITE A3 (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	38.50	ACUITE BBB-/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.87	ACUITE BBB-/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	6.15	ACUITE BBB-/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	16.60	ACUITE BBB-/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB-/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.90	ACUITE BBB-/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.71	ACUITE BBB-/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.59	ACUITE BBB-/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE BBB-/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB-/Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A3 (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A3 (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	21.50	ACUITE A3 (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A3 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.45	ACUITE A3 (Reaffirmed)
Proposed Non-Fund Based Facility	Not Applicable	Not Applicable	Not Applicable	3.73	ACUITE A3 (Reaffirmed)

Contacts

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About Acuite Ratings & Research:

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