



Press Release

Map Refoils India Limited

February 05, 2021

Rating Upgraded & Withdrawn

Total Bank Facilities Rated*	Rs. 199.00 crore*
Long Term Rating	ACUITE BBB (Upgraded & Withdrawn)
Short Term Rating	ACUITE A3+ (Upgraded & Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE BBB**' (**read as ACUITE triple B**) from '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and the short-term rating to '**ACUITE A3+**' (**read as ACUITE A3 plus**) from '**ACUITE A3**' (**read as ACUITE A three**) on the Rs. 199.00 crore bank facilities of MAP Refoils India Limited (MRIL).

Acuité has subsequently withdrawn the long-term rating of '**ACUITE BBB**' and the short-term rating of '**ACUITE A3+**'. The rating is withdrawn in line with Acuité's policy and on receipt of withdrawal request from the client as well as No Objection Certificate (NOC) from the banker.

Rationale for rating upgrade

The rating upgrade reflects augmentation in the business risk profile along with sustained growth in the scale of operations as well as profitability margins, strong net worth, improvement in financial risk profile, working capital efficient nature of operations and adequate liquidity position. The rating also factors in comfort derived from extensive experience of promoters in the edible oil industry through various group entities and growth in demand for brands i.e. "MAP" and "Sur". However, the rating is constrained by high utilization of working capital limits and thin profitability margins owing to inherent nature of industry along with susceptibility of margins to raw material price volatility and intense competition. MAP Group's scale of operations have improved to Rs. 1,147.92 crore in FY2020 (Provisional) as against Rs. 986.03 crore in FY2019, resulting in a Y-o-Y growth of 16.42 per cent and a 5-year CAGR of 69.89 per cent. Further, the group has reported an operating income of Rs. 647.71 crore in 6MFY2021, despite washout of sales in April due to Covid-19 induced lockdown across the country. Operating profit margins have improved to 3.80 per cent in FY2020 (Provisional) as against 3.61 per cent in FY2019 and 2.94 per cent in FY2018, indicating improved bargaining power due to improvement in business risk profile of the group. Also, the group has reported a net profit of Rs. 7.15 crore in FY2020 (Provisional) as against net profit of Rs. 4.15 crore in FY2019.

The overall financial risk profile of the group has improved and stood healthy owing to strong net worth, healthy gearing and moderate debt-coverage indicators. Gearing improved from 1.04 times as on March 31, 2019 to 0.76 times as on March 31, 2020 (Provisional) supported by moderate debt coverage indicators with interest coverage ratio of 1.63 times in FY2020 (Provisional) and debt service coverage ratio of 1.21 times in FY2020 (Provisional).

The rating also derives comfort from track record of need-based infusion of funds by promoters. The liquidity position of the group is adequate as evident from adequate net cash accruals of Rs. 15.84 crores in FY2020 (Provisional) against maturing debt obligations of Rs. 8.14 crore during the same period. However, the working capital limits remain fully utilized in the last six months ended September, 2020.

Analytical Approach

Acuité 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 Refoils India Limited (MRIL)

Incorporated in the year 2015, MRIL is based out of Gujarat and is running an oil refinery with an installed capacity of 600 tonnes per day for manufacturing of palm oil, soyabean oil, cottonseed oil, groundnut oil, sunflower oil and mustard oil. 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 company 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. Arvindbhai 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.

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

• Augmentation in business risk profile

The operations of the group have improved marked by an increase in the operating income to Rs. 1,147.92 crore in FY2020 (Provisional) as against Rs. 986.03 crore 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 crore and Rs. 252.30 crore, 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.

• Funding support from promoters and related parties

The group has received funding support of around Rs. 45.37 crores in the form of capital and unsecured loans from its promoters and other group entities. The promoters have infused Rs. 0.12 crore in MOL in the form of capital. Further, Rs. 3.53 crore and Rs. 41.72 crore in MOL and MRIL, respectively have been infused by promoters in the form of unsecured loans in FY2020 (Provisional). These funds are expected to be in the business over the long-run.

Acuité believes that the funding support will be crucial for the group for timely servicing of debt obligations and maintain its liquidity as well as credit risk profile.

• Improvement in financial risk profile

The financial risk profile of the group is moderate marked by strong net worth, healthy gearing

and moderate debt protection metrics and coverage indicators.

The net worth of Map Group is strong at around Rs. 175.72 crore as on March 31, 2020 (Provisional). The net worth levels have seen significant improvement over the last three years through FY2020 on account of healthy infusion by promoters.

Map group has followed a moderately aggressive financial policy in the past, the same is reflected through its peak gearing and total outside liabilities to tangible net worth (TOL/TNW) levels of 1.43 times and 2.52 times as on March 31, 2019, over the past three years. The leverage has improved to healthy levels at 0.76 times as on March 31, 2020 (Provisional). The total debt of Rs. 133.60 crore as on 31 March 2020 (Provisional) comprised of long-term borrowings of Rs. 27.28 crores and working capital borrowings of Rs. 106.32 crores. Unsecured loans from related parties of Rs. 175.72 crore are classified as quasi equity as the amount would remain invested in the business in the long-run.

Thin profitability has led to moderate debt coverage indicators of the group marked by debt-service-coverage-ratio of 1.21 times as on 31st March, 2020 (Provisional) as against 1.13 times as on 31st March, 2019 and interest coverage ratio of 1.63 times as on 31st March, 2020 (Provisional) as against 1.61 times as on 31st March, 2019.

Acuité believes that the financial risk profile of Map Group will continue to remain moderate on account of moderate profitability and strong net worth.

• **Working capital efficient nature of operations**

Map group has efficient working capital requirements, though deteriorated from gross current assets (GCA) of 93 days in FY2019 to 101 days in FY2020 (Provisional). This is on account of increase in debtors' days from 38 days in FY2019 to 48 days in FY2020 (Provisional). While the inventory days have improved marginally to 48 days in FY2020 (Provisional) as against 50 days in FY2019.

However, the group requires sufficient credit lines to support its incremental working capital requirements as the limits remain fully utilized through the most part of the year, thereby resulting in high finance costs for the group too. The entities have sufficient drawing power available for enhanced working capital limits. The current ratio of the group stood at 1.59 times as on March 31, 2020 (Provisional). Acuité expects the working capital operations of the company to remain efficient on account of the level of inventory to be maintained and the credit given to its customers. Furthermore, effective management of working capital operations through timely additional funding would be a 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 ~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.

Rating Sensitivity

- Deterioration in the scale of operations.
- Timely availing additional credit lines required to support incremental working capital

operations.

- Substantial decline in profitability levels, thereby impacting group's debt coverage indicators.

Material Covenants

None

Liquidity: Adequate

The group has adequate liquidity profile marked by healthy net cash accruals to its maturing debt obligations. The group has generated cash accruals of Rs. 15.84 crore for FY2020 (Provisional), while its maturing debt obligations were Rs. 8.14 crore during the same period. Map group's working capital operations are efficient marked by Gross Current Asset (GCA) of 101 days for FY2020 (Provisional). The fund-based working capital limits of the group remains fully utilised. In addition to this, the company has availed covid-19 moratorium. The current ratio of the group stood at 1.59 times as on March 31, 2020 (Provisional). Acuité believes that the liquidity of the group is likely to remain adequate subject to timely funding of incremental working capital requirements through additional credit lines or further infusion by promoters along with moderate profitability resulting in healthy cash accruals against debt repayments over the medium term.

Outlook: Stable

Acuité believes that Map Group will maintain a 'Stable' outlook over the medium term on the back of promoters' extensive experience in the industry and established relationships with its customers. The outlook may be revised to 'Positive' in case the group registers higher-than-expected growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the group registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in the working capital cycle.

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
19 September 2019	Cash Credit	Long term	38.50	ACUITE BBB-/ Stable (Reaffirmed)
	Term Loan	Long term	3.87	ACUITE BBB-/ Stable (Reaffirmed)
	Term Loan	Long term	6.15	ACUITE BBB-/ Stable (Reaffirmed)
	Cash Credit	Long term	16.60	ACUITE BBB-/ Stable (Reaffirmed)
	Term Loan	Long term	5.00	ACUITE BBB-/ Stable (Reaffirmed)
	Cash Credit	Long term	11.90	ACUITE BBB-/ Stable (Reaffirmed)
	Term Loan	Long term	1.71	ACUITE BBB-/ Stable (Reaffirmed)
	Term Loan	Long term	1.59	ACUITE BBB-/ Stable (Reaffirmed)
	Cash Credit	Long term	35.00	ACUITE BBB-/ Stable (Reaffirmed)
	Cash Credit	Long term	10.00	ACUITE BBB-/ Stable (Reaffirmed)
	Letter of Credit	Short term	12.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short term	6.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short term	21.50	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short term	25.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short term	0.45	ACUITE A3 (Reaffirmed)
	Proposed Non-fund based facility	Short term	3.73	ACUITE A3 (Reaffirmed)
26 June 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 (Upgraded & Withdrawn)
Term Loan I	Not Applicable	Not Applicable	Not Applicable	3.87	ACUITE BBB (Upgraded & Withdrawn)
Term Loan II	Not Applicable	Not Applicable	Not Applicable	6.15	ACUITE BBB (Upgraded & Withdrawn)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	16.60	ACUITE BBB (Upgraded & Withdrawn)
Term Loan- II	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB (Upgraded & Withdrawn)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.90	ACUITE BBB (Upgraded & Withdrawn)
Term Loan-I	Not Applicable	Not Applicable	Not Applicable	1.71	ACUITE BBB (Upgraded & Withdrawn)
Term Loan- II	Not Applicable	Not Applicable	Not Applicable	1.59	ACUITE BBB (Upgraded & Withdrawn)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE BBB (Upgraded & Withdrawn)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB (Upgraded & Withdrawn)
Proposed fund-based facility	Not Applicable	Not Applicable	Not Applicable	3.73	ACUITE BBB (Upgraded & Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A3+ (Upgraded & Withdrawn)

Letter of Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A3+ (Upgraded & Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	21.50	ACUITE A3+ (Upgraded & Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.45	ACUITE A3+ (Upgraded & Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A3+ (Upgraded & Withdrawn)

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About Acuité Ratings & Research:

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