

Press Release

Shree GRG Oil Mill

June 29, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 50.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE BB minus**) on the Rs. 50.00 crore bank facilities of Shree GRG Oil Mill. The outlook is '**Stable**'.

Shree GRG Oil Mill (SGOM) is a Rajasthan based firm incorporated in 2004 by Mr. Satish Chandra Goyal and Mr. Saurabh Goyal. SGOM is engaged in supplying and manufacturing of mustard oil, pure mustard oil, mustard cooking oil, kachi ghani mustard oil, refined mustard oil and mustard seed oils. SGOM has an installed capacity to manufacture 100 tons of mustard oil per month and the utilisation level is 85-90 percent.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

Shree GRG Oil Mill incorporated in 2004 as a partnership firm is engaged in manufacturing of mustard oil and mustard de-oiled cakes. The partners are Mr. Satish Chandra Goyal Mr. Saurabh Goyal. Mr. Satish Goyal has more than three decades of experience in the said line of business. Prior to 2004, Mr. Satish Goyal was into cotton industry for 25 years. The firm has reputed clients like Godrej India Pvt Ltd, Adani Foods, Patanjali, M/s Bunde India Pvt Ltd, and the firm gets repeated orders from these clients. Acuité believes that the firm will benefit over the medium term on the back of established track record and experienced management

- **Moderate financial risk profile**

SGOM has moderate financial risk profile marked by net worth of Rs.22.49 crore (includes quasi equity of Rs.18.53 crore) as on 31 March, 2018 (Provisional) as against Rs.14.98 crore (includes quasi equity of Rs.11.27 crore) as on 31 March, 2017. Gearing (debt-equity) stood at 2.37 times as on 31 March, 2018 (Provisional) as compared to 2.58 times as on 31 March, 2017. The total debt of Rs.53.28 crore outstanding as on 31 March, 2018 (Provisional) comprises Rs.0.21 crore as term loan, and Rs. 53.07 crore as working capital borrowings from the bank. The interest coverage ratio stood at 1.25 times for FY2018 (Provisional) as compared to 1.28 times for FY2017. NCA/TD stood at 0.02 times in FY2018 (Provisional) as against 0.04 times in FY2017.

Weaknesses

- **Uneven revenue trend and low profitability**

The firm's operating income stood at Rs.276.30 crore in FY2017 and Rs.350.24 crore in FY2016, while in FY2018 (Provisional), the operating income stood at Rs.282.07 crore. The operating margins stood moderate at 2.23 percent in FY2017 and 1.76 percent in FY2016, while in FY2018 (Provisional), it stood at 2.37 percent. The reason for operating margin to go up is because of decrease in raw material cost and manufacturing cost in FY2018 (Provisional) over FY2017 and FY2016. The net profitability margins stayed moderate at 0.12 percent in FY2017 and 0.05 percent in FY2016, further in FY2018 (Provisional) stood at 0.10 percent.

- **Average working capital operations**

The operations are working capital moderate marked by Gross Current Asset (GCA) days of 105 in FY2018 (Provisional) as against 50 days in FY2017. The inventory days stood at 95 days and debtor days of 13 in FY2018 (Provisional) as against inventory days at 21 days and debtor days of 12 in FY2017. The

average bank limit utilisation stood at 90 percent for the last three months ending April 2018.

• Margins susceptible to raw material price fluctuations

Mustard seed and mustard cake are the main raw materials. Being an agricultural produce, the availability and pricing of the same depends upon various factors such as monsoon during the year, area under cultivation, demand-domestically and internationally along with various other factors. Hence, the profitability margins for the firm is susceptible to the variation in raw material prices.

• Highly competitive and fragmented edible oil industry

Edible oil extraction and refinery companies in India are dependent on imports of crude edible oil and also the low capital intensive nature of business leads to entry of several players in the edible oil business. This exposes the firm to competitive pressure, which may result in thin profitability.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of SGOM to arrive at the rating.

Outlook: Stable

Acuité believes that SGOM will maintain a 'Stable' business risk profile on account of experienced management. The outlook may be revised to 'Positive' in case the firm registers substantial growth in the scale of operations while achieving healthy profit margins and comfortable liquidity position. The outlook may be revised to 'Negative' in case of decline in the revenues or profitability and deterioration in financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	282.07	276.30	350.24
EBITDA	Rs. Cr.	6.69	6.17	6.16
PAT	Rs. Cr.	0.29	0.23	0.19
EBITDA Margin	(%)	2.37	2.23	1.76
PAT Margin	(%)	0.10	0.08	0.05
ROCE	(%)	8.74	8.73	11.06
Total Debt/Tangible Net Worth	Times	2.37	2.58	3.35
PBDIT/Interest	Times	1.25	1.28	1.26
Total Debt/PBDIT	Times	7.97	6.26	7.75
Gross Current Assets (Days)	Days	105	36	40

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE BB- / Stable

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About Acuité Ratings & Research:

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