# Press Release

**Shri Ganesh Veg Oil Products Private Limited**

December 11, 2018

**Rating Assigned**

| | |
|---|---|
| **Total Bank Facilities Rated*** | Rs. 15.00 Cr. |
| **Long Term Rating** | ACUITE BBB- / Outlook: Stable |

** Refer Annexure for details*

**Rating Rationale**

Acuité has assigned long-term rating of '**ACUITE BBB-**' **(read as ACUITE triple B minus)** to the Rs. 15.00 crore bank facilities of Shri Ganesh Veg Oil Products Private Limited (SGVOP). The outlook is **'Stable'**.

The Khamgaon based, SGVOP was incorporated in 1987 and is engaged in cotton seed oil milling and refining. SGVOP is promoted by Mr. Anand Gopaldas Mohata and Mr. Krishna Kumar Mohata. SGVOP has both milling and refinery unit located in Khamgoan (Maharashtra).

### Analytical Approach

Acuité has consolidated the business and financial risk profile of AMAI, SGVOP and SGI together referred to as the 'Mohata Group'. The consolidation is in view of the similar line of business, operational and financial synergies and common management. Extent of Consolidation : Full.

### About the group:

Mohata Group (MG) founded in 1969 by Mr. Gopaldas Mohata consisting of three companies viz. Anand Mohata Agro Industries Private Limited (AMAI), Shri Ganesh Veg Oil Products Private Limited (SGVOP) and Shri Ganesh Industries (SGI). SGVOP is a subsidiary of AMAI with 64 percent holding. Total installed capacity of the group for refinery unit is 32000 MT per annum and for milling unit is 48000 MT per annum.

## Key Rating Drivers

### Strengths

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

  Mohata Group (MG) was founded in 1969 by Mr. Gopaldas Mohata and family, thus, having an operational track record of around five decades in cotton seed oil milling and refining business. Mr. Gopaldas Mohata has an experience of over five decades and Mr. Anand Mohata, second generation, has an experience of over two decades in the same line of business. Hence, long track records of operations and vast experience of management has helped the company to develop healthy relationship with its customers and suppliers. Acuité believes that MG will sustain its existing business profile on the back of established track record of operations and experienced management.

- **Moderate working capital operations**

  The group's working capital operations are moderate marked by Gross Current Asset (GCA) days of 97 for FY2018 as against 127 for FY2017. This is mainly driven by inventory of 85 days for FY2018 as against 112 days for FY2017. The inventory of the group remains high due to seasonal nature of business. The debtor days stood same at 7 days in FY2018 and FY2017. Acuité believes that the group's ability to maintain its working capital efficiently will remain a key to maintain stable credit profile.

- **Average financial risk profile**

  The financial risk profile of the group is average marked by moderate net worth, gearing and debt protection metrics of the group. The net worth of the group stood at Rs.19.98 crore (including Rs.4.87 crore of quasi equity) as on 31 March, 2018 as against Rs.18.99 crore (including Rs.3.22 crore of quasi equity) as on 31 March, 2017. Gearing (debt-equity) stood at 1.07 times as on 31 March, 2018 and 1.06 times as on 31 March, 2017. The total debt of Rs.21.35 crore as on 31 March, 2018 mainly comprises Rs.19.77 crore of working capital facility and Rs.1.58 crore of unsecured loan. Interest Coverage Ratio (ICR) stood at 2.04 times for FY2018 as against 2.30 times for FY2017. TOL/TNW stood at 1.30 times as on 31 March, 2018 as against 1.25 times as on 31 March, 2017. Further, Debt to EBITDA stood at 5.67 times for FY2018 as against 7.05 times for FY2017. The group is planning for a capital expenditure in FY2019 to increase the installed capacity of refinery unit to 48000 MT per annum from 32000 MT per annum. The group plans to avail term loan of ~Rs.2.75 crore. Acuité believes that the financial r isk profile of the group will remain average in near to medium term.

## Weaknesses

- **Moderate scale of operations and thin profitability**
  MG has moderate scale of operations marked by operating income of Rs.139.63 crore in FY2018 as against Rs.94.88 crore in FY2017. However, the group has reported operating revenue of Rs.102.00 crore from April 2018-October 2018. Acuité believes that the scale of operations will increase over the medium term. The operating margins stood modest at 2.49 percent in FY2018 as against 2.38 percent in FY2017. The PAT margins remain thin at 0.78 percent in FY2018 and 0.77 percent in FY2017.
- **Volatility in raw material prices and government regulations**
  Cotton prices are highly regulated by the government through MSP (Minimum Support Price). However, the purchase and selling prices depend on the prevailing demand-supply situation restricting bargaining power with suppliers and customers. Any adverse movement of cotton prices further impacts profitability. Acuité believes that MG should be able to maintain its operating profitability around existing levels, notwithstanding the volatility in prices of its key inputs, on the back of its established position in the domestic market.
- **Agro climatic risks**
  Cotton is a seasonal crop and the production of the same is highly dependent upon the monsoon. Thus, inadequate rainfall may affect the availability of cotton in adverse weather conditions.

## Outlook: Stable

Acuité believes that Mohata Group will maintain a 'Stable' outlook and benefit over the medium term on the back of its promoters extensive industry experience. The outlook may be revised to 'Positive' in case the group registers significant growth in its revenue and profitability while maintaining comfortable 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 group's financial risk profile or significant elongation in working capital cycle.

## About the Rated Entity - Key Financials (Consolidated)

| | Unit | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|---|---|---|---|---|
| Operating Income | Rs. Cr. | 139.63 | 94.88 | 108.37 |
| EBITDA | Rs. Cr. | 3.49 | 2.25 | 4.08 |
| PAT | Rs. Cr. | 1.11 | 0.72 | 2.55 |
| EBITDA Margin | (%) | 2.50 | 2.37 | 3.76 |
| PAT Margin | (%) | 0.79 | 0.76 | 2.35 |
| ROCE | (%) | 7.48 | 6.82 | 34.47 |
| Total Debt/Tangible Net Worth | Times | 1.07 | 1.06 | 0.29 |
| PBDIT/Interest | Times | 2.04 | 2.29 | 3.73 |
| Total Debt/PBDIT | Times | 5.65 | 7.08 | 1.09 |
| Gross Current Assets (Days) | Days | 97 | 127 | 51 |

## About the Rated Entity - Key Financials (Standalone)

| | Unit | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|---|---|---|---|---|
| Operating Income | Rs. Cr. | 44.49 | 29.33 | 50.20 |
| EBITDA | Rs. Cr. | 0.87 | 0.52 | 1.10 |
| PAT | Rs. Cr. | 0.17 | 0.05 | 0.16 |
| EBITDA Margin | (%) | 1.95 | 1.77 | 2.18 |
| PAT Margin | (%) | 0.39 | 0.18 | 0.33 |
| ROCE | (%) | 5.39 | 5.14 | 28.85 |
| Total Debt/Tangible Net Worth | Times | 1.33 | 1.09 | 0.19 |
| PBDIT/Interest | Times | 1.68 | 1.70 | 1.51 |
| Total Debt/PBDIT | Times | 8.61 | 9.80 | 0.88 |
| Gross Current Assets (Days) | Days | 95 | 132 | 32 |

## Status of non-cooperation with previous CRA (if applicable)
ICRA, vide its 'Update on reason for delay in periodic surveillance' dated September 27, 2018 had mentioned the reason for delay as Issuer not cooperating.

## 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. Cr.) | Ratings/Outlook |
|---|---|---|---|---|---|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 6.00 | ACUITE BBB- / Stable |
| Proposed Cash Credit | Not Applicable | Not Applicable | Not Applicable | 9.00 | ACUITE BBB- / Stable |

## Contacts

| Analytical | Rating Desk |
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