

Press Release

Map Overseas LLP

June 17, 2020



Rating Assigned

| | |
|-------------------------------------|------------------------------|
| Total Bank Facilities Rated* | Rs. 30.00 Cr. |
| Long Term Rating | ACUITE BB- / Outlook: Stable |
| Short Term Rating | ACUITE A4 |

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB- (read as ACUITE double B minus)**' and short-term rating of '**ACUITE A4 (read as ACUITE A four)**' on the Rs. 30.00 crore bank facilities of MAP OVERSEAS LLP (MOL).

Established in 2018, the firm started its operations in May, 2019. MOL is a Gujarat-based firm promoted by Mr. Mehulkumar A. Patel and Mrs. Khushboo M. Patel. The firm is engaged trading of soybean oil, palm oil and cottonseed oil.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

MOL is promoted by Mr. Mehulkumar Patel and Mrs. Khushboo Patel who have an experience of around two decades through their group companies MAP Oil LLP (ACUITE BBB-/Stable/A3) and MAP Refoils Private Limited (ACUITE BBB-/Stable/A3). Mr. Mehul Patel manages all day to-day operations and marketing of the firm. The promoters backed by their experience have been able to establish long-standing relationship with their customers.

Acuité believes that the firm will be able to establish its market position on the back of the experienced promoters.

- **Efficient working capital management**

MOL's working capital is efficiently managed as is reflected by its gross current asset (GCA) days of around 69 days (Provisional) for FY2020. The company maintains inventory of around 40-60 days. The firm 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 which supports the working capital management of the firm.

Acuite expects the working capital management to remain efficient over the medium term on account of the lean inventory levels maintained by the firm.

Weaknesses

- **Nascent stage of operations**

MOL commenced its operations from May, 2019. The firm is at nascent stage of operations and hence the firm is exposed to operation stabilization risk. Further, it remains exposed to the risks associated with successful scale up of operations. MOL registered a turnover of Rs. 182.79 crores (Provisional) for the period May, 2019 to February, 2020 with Profit after Tax (PAT) of Rs. 0.45 crore (Provisional). However, the risk is partially mitigated due to promoter's experience in the industry for over two decades and the established channels of the firm to procure materials which can help to further scale up the operating performance.

Acuité believes scaling up of operations while maintain the profitability will remain a key rating sensitivity factors over near to medium term.

Rating Sensitivities

- Stretch in Gross Current Asset (GCA) days.
- Significant improvement in scale of operation while maintaining profitability margin leading to overall improvement in financial risk profile.

Material Covenants

None

Liquidity Position: Adequate

Acuité expects that the liquidity position of MOL to be adequate with no maturing debt obligations during FY2020-21. Acuité believes that the promoters would support the firm till operations stabilise. The liquidity of the company is likely to remain adequate over the medium term on account of support from the promoters to fund the liquidity deficit in the initial stage of operations and no debt repayment obligations over the medium term.

Outlook: Stable

Acuité believes that the firm's outlook will remain 'Stable' over the medium term from its experienced management 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 (Actual) | FY18 (Actual) |
|-------------------------------|---------|---------------|---------------|
| Operating Income | Rs. Cr. | NA | NA |
| PAT | Rs. Cr. | NA | NA |
| PAT Margin | (%) | NA | NA |
| Total Debt/Tangible Net Worth | Times | NA | NA |
| PBDIT/Interest | Times | NA | NA |

Note: The company started its operations from May, 2019.

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

None

Any other information

Not applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.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 |
|------------------------|------------------|----------------|----------------|-----------------------------|--------------------|
| OCC/ODBD | Not Applicable | Not Applicable | Not Applicable | 3.00 | ACUITE BB- /Stable |
| Bill Discounting | Not Applicable | Not Applicable | Not Applicable | 2.00 | ACUITE A4 |
| Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 25.00 | ACUITE A4 |

Contacts

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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