



SMERA RATINGS LIMITED

## GG Oils & Fats Private Limited (GOFPL)

*Rating  
Rationale*

**February 20, 2014**

Facilities	Amount (Rs. Crore)	Rating
Letter of Credit	26.00	SMERA A4 (Assigned)

SMERA has assigned a rating of **'SMERA A4' (read as SMERA A four)** to the Rs. 26.00 crore bank facilities of GG Oils & Fats Private Limited (GOFPL), a GG Group entity. SMERA has taken a consolidated view on the GG Group to assign the rating. The consolidation is in view of the common management and strong operational linkages shared by the group entities.

GOFPL's rating is mainly constrained by the company's weak financial profile and working capital-intensive operations. The rating is further constrained by the susceptibility of the group's profit margins to intense competition prevalent in the edible oil trading industry, volatility in raw material prices and fluctuations in foreign exchange rates. However, the rating is supported by the group's experienced management, long-standing relationships with customers and suppliers and healthy net worth.

GOFPL, established in 2012, is a Punjab-based company engaged in trading of imported edible oils. GOFPL has a weak financial profile marked by high leverage at 3.89 times as on March 31, 2013 and low net profit margin of 0.38 per cent in FY2012-13 (refers to financial year, April 01 to March 31). GOFPL's operations are working capital-intensive. The company's receivables period is stretched at ~310 days in FY2012-13. The GG Group faces intense competition from a large number of players in the unorganized sector of the edible oil trading industry. The group's profit margins are susceptible to volatility in raw material prices and fluctuations in foreign exchange rates.

GOFPL benefits from its experienced management. The company's promoters have around ten years of experience in the edible oil trading business.

### **About the group**

The GG Group (based in Bhathinda, Punjab) is engaged in trading of edible oils since 2009. The group's net worth stood at ~Rs.40.07 crore as on December 31, 2013.

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### About the company

GOFPL, established in 2012, is a Punjab-based company promoted by Mr. Gurdas Garg and Mr. Kunal Garg. GOFPL is engaged in trading of edible oils.

For FY2011-12, GOFPL reported PAT of Rs.0.02 crore on operating income of Rs.164.68 crore. Further, the company reported PAT of Rs.0.12 crore on operating income of Rs.32.18 crore in FY2012-13. GOFPL's net worth stood at Rs.5.56 crore as on March 31, 2013, as compared with Rs.5.42 crore a year earlier.

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