



Press Release

Aryan Enterprise

February 05th, 2021

Sr. No	Facilities	Amount (INR Crore)	Current Ratings	Rating Action
1.	Short Term Bank Facilities – Letter of Credit	40.00	IVR A3+ (IVR A three Plus)	Reaffirmed; Removed, Credit Watch with developing implications
	Total	40.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating to the bank facilities of the entity continues to derives comfort from G-One group's established market position under its experienced promoters & management team, efficient working capital management with moderate financial risk profile marked by comfortable capital structure and diversified product offering. However, these rating strengths are partially offset by G-one group's thin profit margins, susceptibility of business to the vagaries of the climatic conditions and proprietorship nature of constitution of Aryan Enterprise.

The removal of Credit Watch with developing implications is on account of no major impact of ongoing pandemic on the group performance and expected growth in overall operational & financial parameters in FY21.

Key Rating Sensitivities:

- **Upward Factor**
 - Substantial scaling up of operations while maintaining profitability and debt protection metrics on a consolidated basis
- **Downward Factor**
 - Any decline in scale of operation and/or profitability leading to deterioration of debt protection metrics on a consolidated basis.



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Key Rating Drivers with detailed description

Key Rating Strengths

Established market position and extensive experience of the management

The group has been engaged in the refining of crude palm oil, soya bean oil, cotton seed oil, etc. over the last three decades, with an established presence in the organized edible oil market. The group benefits from significant industry experience of its promoters, Mr. Bhagvanbhai Patel & Mr. Mavjibhai Patel, who have been associated with the edible oil industry for around 32 years now. The established market position of the group is shown in the consolidated top line of INR1914.04 Crore in FY20 (FY19:INR1822.66 Crore).

Efficient working capital management

The group exhibits prudent working capital management as reflected by its modest inventory and controlled receivables. To fund its working capital requirement, the group mainly utilises non-fund based limits

Moderate Financial Risk profile with comfortable capital structure

The financial risk profile is marked by healthy net worth of INR60.63 Crore in FY20. The profile of the group remained moderate and comfortable over the years marked by its moderate gearing and debt protection metrics. The overall gearing remained stable and improved to 0.28x as on March 31st, 2020 as against 0.38x as on March 31st, 2019. The interest coverage has also improved and remained comfortable at 2.73x in FY20 when compared to 2.22x in FY19. TOL/TNW has improved and stood moderate at 3.51x as on March 31st, 2020.

Diversified Product offering

The group benefits from a diversified product listing. The company undertakes refining of various crude oils like palm, soya bean and cotton seed. This refined oil is sold under its own brand Lifol, through a Pan-India distribution network, while the group also sells in the wholesale market to other companies that package the oil and sell them under their brand names.



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Key Rating Weaknesses

Thin operating and net margins

G-one group operates with a thin margin over the years due to its less value additive nature of operations and intense competition in the operating spectrum. The EBIDTA margin of the group remained thin and range bound between 0.85%-1.04% over the last three years (FY18- FY20). Driven by low EBITDA margin, the PAT margin also remained thin during the aforesaid period. Further, the profitability is also susceptible to sharp fluctuations in oil prices, and foreign exchange rates, although the risk is mitigated by low inventory holding and procurement of ~80% of requirement on high sea basis locally.

Agro based products susceptible to the vagaries of the climatic conditions:

The edible oil business is susceptible to risks pertaining to availability of oil, which is dependent on the climatic conditions. Moreover, the raw material prices depend on international prices and demand supply situation both in the domestic and international markets. The Company is likely to remain exposed to volatility in raw material prices.

Analytical Approach

For arriving at the rating, Infomerics has combined the financial risk profiles G-One Agro Products Limited (GAPL) & Aryan Enterprise as both the entities are running under a common management, have strong operational and financial linkages and cash flow fungibility. Both the entities collectively referred as the G-one group.

Forum Exim LLP and D M Corporation has not been considered in the consolidation as

- Forum Exim LLP is in the process of paying the entire debt by May 2021.
- Proposed transfer of business (Assets & Liabilities) and bank facilities of S M Corporation to D M Corporation has not been materialised as envisaged earlier.

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)



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Liquidity: Adequate

The liquidity of the G-one group expected to remain adequate in the near to medium term in view of its expected sufficient gross cash accruals in the range of ~INR8-10 Crore in FY21-23 as compared to its minimal debt repayment obligation. The average working capital utilisation for last 12 months ended October 2020 is at 33.74%

About the Group

Established in 2003, G-One Agro Products Limited (GAPL) is a Gandhinagar, Gujarat based company. It was previously constituted as a partnership firm in 2001, as G-One Agro Industries and subsequently converted into a public limited company (Unlisted) in November 2003. It undertakes refining of various plant-based crude oils like palm, soya bean and cotton. The company markets refined edible oil under its own brand name “Lifol” and also sells the same in bulk to other retail oil packers, who further sell it under their respective brand names.

Aryan Enterprise, established by Mrs Krupal Patel in 2008 is a proprietorship firm. The firm acts as a raw material procurement arm for GAPL. The primary activities of the firm involves importing of various kinds of edible and non-edible oils namely, crude or refined Oil like Cottonseed Oil, Palm Oil, Soyabean Oil, Mustard Oil, Maize Oil, Sunflower Oil and so on. It then sells these oils to GAPL at prevailing market prices.

Financials:

Financials: Consolidated

For the year ended/ As on	(INR Crore)	
	31-03-2019 Combined	31-03-2020 Combined
Total Operating Income	1822.66	1914.04
EBITDA	18.93	17.05
PAT	5.34	6.26
Total Debt	23.39	19.64
Tangible Net-worth	53.55	60.63
Ratios		
EBITDA Margin (%)	1.04	0.89
PAT Margin (%)	0.29	0.33
Overall Gearing Ratio (x)	0.60	0.47

* Classification as per Infomerics' standards



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Financials: Standalone

(INR Crore)

For the year ended/ As On	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	166.31	188.16
EBITDA	2.59	1.51
PAT	0.58	0.71
Total Debt	0.00	0.00
Tangible Net-worth	2.49	3.00
Ratios		
EBITDA Margin (%)	1.56	0.80
PAT Margin (%)	0.35	0.37
Overall Gearing Ratio (x)	NM	NM

* Classification as per Infomerics' standards
 NM: Not meaningful

Status of non-cooperation with previous CRA: N.A

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)				Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Previous rating (May 21 st , 2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Non-Fund Based – Letter of Credit	Short Term	40.00	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus) Under Credit Watch with developing implications	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Size of Facility (INR Crore)	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Rating Assigned/ Outlook
Short Term Facility – Non-Fund Based - Letter of Credit	40.00	-	-	--	IVR A3+