Castor Girnar Industries Private Limited

December 08 2020

Ratings:

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term/ Short Term Fund based facilities -			
PSCFC[$]	26.00	IVR A3 (IVR Single A Three)	Assigned
EPC*	(26.00)	IVR A3 (IVR Single A Three)	
CC *	(15.00)	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)	
FCDL*	(6.00)	IVR A3 (IVR Single A Three)	
SBD*	(5.00)	IVR A3 (IVR Single A Three)	
Short Term Bank Facilities - Loan Equivalent Risk	4.00	IVR A3 (IVR Single A Three)	Assigned
Total	**30.00**		

*EPC: Export Packing Credit of Rs. 26.00 Crore is a sub-limit of PSCFC.
CC: Cash Credit of Rs. 15.00 Crore is a sub-limit of EPC.
FCDL: Foreign Currency Demand Loan of Rs. 6.00 Crore is a sub-limit of EPC.
SBD: Sales Bill discounting of Rs. 5.00 Crore is a sub-limit of PSCFC.
[$]PSCFC: Post Shipment Credit in Foreign Currency

Details of Facilities are in Annexure 1

Detailed Rationale:

The aforesaid ratings assigned to the bank facilities of Castor Girnar Industries Private Limited (CGIPL) derives strength from experienced promoters with long operational track record of the company in the industry, diversified client base across user industries and geographies, proximity to raw material source and ports. The rating however is constrained by exposure to volatility in raw material prices, and competitive nature of industry & risk from the substitute product.

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in the Company's revenue and/or profitability while maintaining the debt protection parameters.

Downward Factors

- Any decline in scale of operations and/or profitability leading to sustained deterioration of liquidity and/or debt protection parameters.

Key Rating Drivers with detailed description

Key Rating Strengths:

Long track record and experienced promoters:

The company is being managed by experienced promoter, Mr. Bhavin J Chhatrala – third generation entrepreneur in manufacturing Castor Oil & Derivatives. Having operated in industry since years now, the management has established a strong network with suppliers and customers and has established a good track record. Beside the promoter, the company has a team of experienced and capable professionals, having over two decades of experience in the segment, to look after the overall operations and day to day management

Proximity to Ports:

The manufacturing facility at Junagadh is with very well road connectivity with ports like Kandla, Mundra, and Pipavav which facilitates the quicker movement of goods for exports.

Proximity to raw material source:

Gujarat accounts for approximately 75% of the total castor seed production in India. With Gujarat being the main centre for castor seed crop, the company enjoys the advantage of proximity to its main raw material source.

Diversified client base across user industries and geographies:

At present, CGIPL manufactures about 12-15 derivative products, out of which HCO and 12-HSA are the principal products. The derivative products made by the firm find applications in transportation, cosmetics, pharmaceutical, paint and manufacturing industries. The end uses of these products are into adhesives, brake fluids, dyes, hydraulic fluids, inks, leather treatments, lubricating greases, machining oils, paints, pigments, refrigeration lubricants, rubbers, sealants, textiles, washing powders, waxes etc. Because of such wide industry applications of the products, it has a diversified customer base spanning across countries such as the USA, Japan, Europe, China etc.

Growth in the revenue:

CGIPL has achieved continuous growth, despite slackness in the industry in the recent past. CGIPL's total operating income registered a CAGR of 13.63% in the past four years ended FY20. However, the company scale remains modest and is expected to improve in FY21 due to receiving of new orders. The company has registered 18% increase in its revenue to Rs. 260.01 Cr in 1H FY21 compared to 1H FY20 and registered EBITDA of Rs. 4.90 Cr in 1HFY21 as compared to Rs. 2.90 Cr in 1HFY20.

Comfortable Debt Protection Parameters:

The financial risk profile of the company is healthy marked by comfortable net worth, debt protection metrics and debt coverage indicators. The company do not have any long term loans and advances on its book. The net worth stood at Rs.33.33 Cr (includes quasi equity of Rs.21.40 Cr) as on 31 March, 2020 (provisional) as against Rs.21.90 Cr (includes Rs.13.45 Cr of quasi equity) as on 31 March, 2019. The overall gearing (debt-equity) stood at 0.20 times as on 31 March, 2020 (Provisional) as against 0.60 times as on 31 March, 2019. The coverage indicators stood comfortable marked by Interest Coverage Ratio (ICR) of 7.48 times for FY2020 (provisional) as against 2.18 times for FY2019.

Key Rating Weaknesses:

Thin EBITDA Margin:

The operating margin remained range-bound over the aforesaid period in the range of 1%-2% during the past four fiscals ended FY20. Moreover, the company witnessed a dip in its operating margin during FY20 mainly due to reduction in the sales of company's core product i.e. castor oil. However the company is gradually diversifying its product base as the margins a quite high in the Castor derivatives.

Profitability vulnerable to volatile raw material prices and agro-climatic risk:

Seasonal volatility and fluctuations in raw material prices may impact the revenue and thereby affect the margins. Agro-climatic risks related to castor seed production can impact the production and pricing of castor oil, which is its main raw material.

Exposure to risks related to competition & risk from substitute products:

Some of the castor oil-based derivative products manufactured by the company faces competition from crude based derivative products. The company also faces competition from other organised & unorganised players.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity - Adequate

The company has an adequate liquidity profile with absence of any long-term repayment obligations and major capex plans. Further, the company had cash accruals of around Rs. 4.00 Cr and the average cash credit utilisation was around 50% during the last twelve months ended August 2020. The company has a short cash conversion cycle of 20 days and current ratio for FY20 is 2.45 times.

About the Company:

Girnar Industries was established in 2009 and subsequently was converted into a private limited company in 2019 as ‘Castor Girnar Industries Private Limited’ (CGIPL). The company is a prominent player in the Castor Oil and Castor derivatives industry. CGIPL is a manufacturer of castor oil and other castor derivatives such as hydrogenated castor oil, dehydrated castor oil, 12 hydroxy stearic acid, ricinoleic acid, castor meal powder, castor oil cold pressed and so on. The crushing plant and manufacturing unit has a capacity of 85000 MTPA and has an ISO 9001:2008 and certified which helps in wide acceptance of its products in the market.

Financials: Standalone

(Rs. Crore)

For the year ended/ As On	31-03-2019	31-03-2020
	(Audited)	(Provisional)
Total Operating Income	497.04	441.22
EBITDA	7.49	5.69
PAT	3.46	3.48
Total Debt	13.13	6.53
Tangible Net-worth	21.90	33.33

Ratios		
EBITDA Margin (%)	1.51	1.29
PAT Margin (%)	0.70	0.79
Overall Gearing Ratio (x)	0.60	0.20

Status of non-cooperation with previous CRA: Nil

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	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.	Long Term/ Short Term Fund based facilities –				--	--	--
	PSCFC$	Short Term	26.00	IVR A3	--	--	--
	EPC*	Short Term	(26.00)	IVR A3	--	--	--
	CC *	Long Term	(15.00)	IVR BBB-/Stable	--	--	--
	FCDL*	Short Term	(6.00)	IVR A3	--	--	--
	SBD*	Short Term	(5.00)	IVR A3	--	--	--
2	Short Term Bank Facilities - Loan Equivalent Risk	Short Term	3.00	IVR A3	--	--	--

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SBD: Sales Bill discounting of Rs. 5.00 Crore is a sub-limit of PSCFC.
$PSCFC: Post Shipment Credit in Foreign Currency

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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term/ Short Term Fund based facilities -					
PSCFC$	--	--	--	26.00	IVR A3
EPC*	--	--	--	(26.00)	IVR A3
CC *	--	--	--	(15.00)	IVR BBB-/Stable
FCDL*	--	--	--	(6.00)	IVR A3
SBD*	--	--	--	(5.00)	IVR A3
Short Term Bank Facilities - Loan Equivalent Risk	--	--	--	3.00	IVR A3

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