



Rating Rationale

Godavari Edible Bran Oil Ltd.

6 Sep 2019

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹. 19.32 Crores of Godavari Edible Bran Oil Ltd. (GEBOL or 'the company').

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Sep, 2018)	Present
Fund based Open Cash Credit Term Loans	19.00 1.16	19.00 0.32^	Long Term	BWR BB (Pronounced as BWR Double B) Outlook:Stable	BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable [Upgraded]
Total	20.16	19.32	INR Nineteen Crores and Thirty Two Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Complete details of Bank facilities is provided in Annexure-I

Note: ^ Term Loans outstanding as on 30.8.2019

Ratings: Upgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has primarily relied upon the audited financials up-to FY18, provisionals of FY19, projections of FY20 & FY21, publicly available information and the information/clarifications provided by the management.

The upgradation of the rating has factored the increase in the financial parametres of the company. The ratings also factored the established presence of the company and experience of the promoters, increase in revenue on Y-O-Y basis, moderate financial profile and locational advantage. However, the ratings are constrained by low coverage indicators, susceptibility of its operating profitability to fluctuations in raw material prices, working capital intensive nature of operations, high intensity of industry competition and abnormal weather conditions .



Going forward, the ability of the company to increase its scale of operations further by improving its profitability margins and efficiently manage its working capital and timely payment of debt obligations will be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- Established track record in the business as the company is active since 1982
- The company benefits from the experience of the promoters and established relationships with customers and suppliers which support business growth
- Increase in revenue from Rs.66.19 Crs in FY17 to Rs.100.33 Crs in FY18. Based on the provisional, revenue further increased to Rs.134.12 Crs in FY19
- Moderate financial risk profile reflected by low gearing at 0.85 times coupled with comfortable networth of Rs. 24.90 Crs in FY18
- The company's unit is located in East Godavari dist, Andhra Pradesh which ensures availability of raw material (Rice Bran) directly from farmers and benefited by transportation cost

Credit Risks:

- Low coverage ratios marked by ISCR & DSCR at 1.34 times & 0.93 times respectively in FY18
- High working capital requirement due to the nature of business operations
- The edible oil industry is highly competitive and fragmented in nature because of the presence of established players having a good brand recognition along with numerous small players which results in low margins. Further, the production depends heavily on favorable climatic conditions.

Liquidity Profile: The company has comfortable liquidity position is driven by current ratio of 1.58x and average CC Utilization for the six months as per the banker feedback stands at 95%. The working capital of the company has remained high, resulting in high utilization of working capital facilities.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Godavari Edible Bran Oil Ltd.** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.



About the Company

Incorporated on Jan 18, 1982, Godavari Edible Bran Oil Ltd is engaged in the processing of crude rice bran oil (RBO) and de-oiled rice bran (DRB) through the solvent extraction process. The company processes rice bran in its three manufacturing facilities in village of Vemulapally, Dwarapudi Mandal in East Godavari District, Andhra Pradesh. Company sells the unrefined RBO and DRB to refineries and poultry / animal farms primarily located in Andhra Pradesh; the remaining sales is derived from various states including Kerala, Tamil Nadu, Karnataka, Delhi, UP, MP and Orissa.

Company Financial Performance

The company reported a total operating income of Rs.100.31 Crores in FY18 and Rs.66.19 Crores in FY17. Operating and net profit margins reported at 3.28% and 0.12% in FY18 as against 3.80% and 0.17% in FY17. Tangible net-worth of the company is at Rs. 24.90 Crs in FY18. The company is reported to have debt equity of 0.85 times in FY18. Based on the provisionals, revenue achieved for FY19 is Rs. 134.12 Crs.

Rating History for the last three years

Facility	Current Rating			Rating History		
	Type	Amount (₹ Crs)	Rating	24.9.2018	1.9.2017	26.8.2016
Fund Based	Long Term	19.32	BWR BB+ <i>(Pronounced as BWR Double B Plus)</i> Outlook: Stable [Upgraded]	BWR BB <i>(Pronounced as BWR Double B)</i> Outlook: Stable	BWR BB- <i>(Pronounced as BWR Double B Minus)</i> Outlook: Stable	
Total		19.32	₹ Nineteen Crores and Thirty Two Lakhs Only			

Status of non-cooperation with previous CRA- Nil;

Any other information - Nil

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	Rs In Crores	100.31	66.19
EBITDA	Rs In Crores	3.29	2.52
PAT	Rs In Crores	0.12	0.11
Tangible Net worth	Rs In Crores	24.90	24.77
Total Debt/Tangible Net worth	In Times	0.85	0.84
Current Ratio	In Times	1.58	1.62

Annexure - I
Bank Loan Facilities

Name of the Bank	Name of the facilities	Tenure	Previous (In Crs)	Present (In Crs)
Andhra Bank	Open Cash Credit	Long Term	19.00	19.00
	Term Loans		1.16	0.32
Total			20.16	19.32

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

For any other criteria obtain hyperlinks from website



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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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