

GOC Petrochemicals Private Limited

January 22, 2021

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	0.28	CARE BB; Stable (Double B; Outlook: Stable)	Assigned
Long-term/Short-term Bank Facilities	19.72	CARE BB; Stable/ CARE A4 (Double B; Outlook: Stable/A Four)	Assigned
Total facilities	20.00 (Rupees Twenty Crore Only)		

Details of facilities in Annexure -1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of GOC Petrochemicals Private Limited (GOC) is constrained on account of moderate scale of operations coupled with low profit margins and stretched liquidity in FY20 (Audited, FY refers to the period April 01 to March 31). The rating also factors in susceptibility to profit margins due to changes in material prices and foreign exchange fluctuation risk coupled with presence in highly competitive and fragmented industry. However, the rating derives strength from experienced promoters in oil industry and diverse product portfolio catering to well established and diversified clientele base coupled with comfortable capital structure and debt coverage indicators.

Rating Sensitivities

Positive Factors

- Increase in scale of operations by more than 20% on sustained basis coupled with increase in profitability marked by PBILDT margin above 7%
- Sustaining capital structure at below unity level as well as debt coverage indicators marked by TDGCA below 3 times and interest coverage above 4 times on sustained basis
- Improvement in cash flow from operations

Negative Factors

- Decline in scale of operations by more than 30%
- Increase in raw material prices by more than 5% putting pressure on profitability
- Stuck debtors led to elongation in operating cycle by more than 30 days putting pressure on liquidity
- Any major debt funded capex undertaking putting pressure on capital structure, profitability and liquidity

Detailed description of the key rating drivers

Key Rating Weaknesses

Moderate scale of operations coupled with low profitability

The scale of operation mark by total operating income remained fluctuating during past three years ended FY20. However, During FY20 (A), GOC has registered a growth in its scale of operations by 55.88% mainly because of increase in quantity sold during the year and remained moderate at Rs.74.45crore as against Rs.47.76crore during FY19(A).

Further, the profitability of GOC shows declining trend in past three years ended FY20 owing to increase in prices of base oil and remained low during past three years marked by PBILDT margin of 3.71% during FY20 as against 4.15% in FY19 and PAT margin of 1.74% during FY20 as against 1.72% during FY19. However, in absolute terms as a result of increase in scale of operation, PBILDT and PAT has increased to Rs.2.76crore and Rs.1.29 crore during FY20 as against Rs.1.98crore and Rs.0.82 crore respectively during FY19.

Susceptibility to profit margins due to changes in material prices and foreign exchange fluctuation risk

The major raw material required for manufacturing of lubricant oils is Base Oil. The price of base oil is fluctuating in nature and move in tandem with global demand supply factors which exposes GOC to any adverse fluctuation in raw material price. Moreover, GOC is exposed to foreign exchange fluctuation risk since 37% of its annual raw material requirement is met by way of imports from Singapore, Malaysia, Australia, South Korea etc which is mitigated to some extent by enjoying Letter of Credit limit. However, during FY20, it incurred foreign exchange loss of Rs.0.08crore as against loss of Rs.0.14crore incurred during FY19.

Presence in highly competitive and fragmented industry

GOC operates in a highly competitive and fragmented Oil industry with a large number of small and medium sized players engaged in manufacturing of industrial and automotive lubricants. Moreover, the limited value addition and moderate entry barriers intensify the already prevailing competition in the market. This is evident from the moderate profit margins

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

and liberal collection period. Thus, the ability of the company to increase the scale of operations and improve profit margins amidst competitive scenario would be critical from the credit perspective. Further, GOC also face competition from some large corporates engaged into manufacturing of lubricants oil.

Key Rating Strengths

Experienced promoters in oil industry

GOC has been managed by three directors Ms. Sushma V. Singh, Mr. Vinod U. Singh and Mr. Manoj Pandey. Mr. Vinod U. Singh has an experience of more than two decades in oil industry and in GOC he looks after overall business operations of the company. Mr. Manoj Pandey who has an experience of more than two decades in oil industry, looks after marketing department in GOC while Ms. Sushma V. Singh looks after the administration of GOC.

Diverse product portfolio catering to well established and diversified clientele base

GOC manufactures variety of petroleum products such as Automotive Lubricants, Industrial Lubricants, Textile Lubricants, Metal Working Fluid, Rubber Process Oil, White Oil, Petroleum, Grease, Transformer Oil and Synthetic Lubricants. The company offers its product range to renowned companies across varied industries such as Pharmaceuticals, FMCG, Power, Automotive, Plastic, Paper, Textile, Mining, Metal, Shipping etc. Such diversification enables the company to shield its revenue growth from any untoward demand scenario in a particular industry to a large extent.

Comfortable capital structure and debt coverage indicators

As on March 31, 2020, capital structure of GOC remained comfortable mainly because of moderate networth base against low debt level marked by an overall gearing ratio of 0.79 times as against 1.01 times as on March 31, 2019. Consequently, debt coverage indicators also remained comfortable marked by total debt to gross cash accruals of 3.14 times as on March 31, 2020 as against 3.75 times as on March 31, 2019. Further, interest coverage also remained comfortable at 3.78times during FY20 as against 3.77times during FY19 on account of low interest cost reported during the year.

Liquidity Analysis: Stretched

Liquidity remained stretched marked low cash accruals, low cash flow from operations, moderate utilization of working capital borrowings and low cash & bank balance; thus limiting the flexibility of the company.

Cash accruals remained low at Rs.1.59crore in FY20 against its repayment obligations of Rs.0.09crore for FY21 while cash flows from operating activity has decreased and remained low at Rs.0.90crore as against Rs.1.13crore due to blockage of funds into inventories and receivables. Further, cash and bank balance also decreased and remained low at Rs.0.04crore as on March 31, 2020 as against Rs.0.21crore as on March 31, 2019. Moreover, GOC had also availed moratorium benefit for its both TL and CC facilities availed from bank for the period of March, 2020 to August, 2020.

However, the average utilization of its working capital limits remained moderate at 68% for past 12-months ended September 2020. Its operating cycle also shortened and remained at 21 days in FY20 against 30 days in FY19.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning 'Outlook' and 'Credit Watch' to Credit Ratings](#)

[CARE's policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

About the Company

Silvassa (Dadra & Nagar Haveli) based GOC Petrochemicals Private Limited (GOC) was initially established as a Partnership Firm named 'Gold Oil Corporation' in 2006. However, in July 2018 it was converted into a Private Limited Company and managed by three Directors named Ms. Sushma V. Singh, Mr. Vinod U. Singh and Mr. Manoj Pandey. It is an ISO 9001:2015 certified company, incorporated with the aim to manufacture various types of Lubricants under its brand name 'Gold'. It has an installed capacity of 2000 Kilolitre Per Month as on March 31, 2020 and it has a sole manufacturing facility located at Silvassa (Dadra & Nagar Haveli).

(Rs. in crore)

Brief Financials	FY19 (A)	FY20 (A)
Total operating income	47.76	74.45
PBILDT	1.98	2.76
PAT	0.82	1.29
Overall gearing (times)	1.01	0.79
Interest coverage (times)	3.77	3.78

A: Audited

Till September 14, 2020 in current year provisional, GOC registered a TOI of Rs.47.82crore.

Status of non-cooperation with previous CRA: BWR has moved its rating assigned to the bank facilities of GOC into Issuer non-cooperating category as per press release dated August 26, 2020 on account of BWR's inability to carry out a rating surveillance in the absence of the requisite information from the GOC.

Any other information: Not Applicable

Rating History: As per Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	March, 2022	0.28	CARE BB; Stable
Fund-based - LT/ ST-Cash Credit	-	-	-	14.50	CARE BB; Stable / CARE A4
Fund-based/Non-fund-based-LT/ST	-	-	-	5.22	CARE BB; Stable / CARE A4

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	0.28	CARE BB; Stable	-	-	-	-
2.	Fund-based - LT/ ST-Cash Credit	LT/ST	14.50	CARE BB; Stable / CARE A4	-	-	-	-
3.	Fund-based/Non-fund-based-LT/ST	LT/ST	5.22	CARE BB; Stable / CARE A4	-	-	-	-

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple
2.	Fund-based - LT/ ST-Cash Credit	Simple
3.	Fund-based/Non-fund-based-LT/ST	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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