

## Naturefresh Industries Limited

Instrument	Amount (Rs. In Crore)	Rating Action
Term Loan	5.07	[ICRA]BB+(Stable); Assigned
Working Capital	4.00	[ICRA]BB+(Stable); Assigned
Bank Guarantee	0.77	[ICRA]A4+; Assigned
Proposed Unallocated Limits	8.16	[ICRA]BB+(Stable)/[ICRA]A4+; Assigned

ICRA has assigned a long-term rating of [ICRA]BB+ (pronounced ICRA double B plus) to the Rs. 5.07 crore term loan and Rs. 4.00 crore fund based working capital facilities of Naturefresh Industries Limited (FIL). ICRA has also assigned an [ICRA]A4+ (pronounced ICRA A four plus) rating to the Rs. 0.77 crore short term non fund based bank guarantee facility of NIL. ICRA has also assigned [ICRA]BB+(Stable)/A4+ ratings to proposed unallocated limits of Rs. 8.16 crore of NIL. The long term rating carries a 'stable' outlook.

While arriving at the ratings, ICRA has taken a consolidated view of G-One Group, since all the entities are managed by the same promoters and operate in the same sector, sharing significant operational and financial linkages with each other.

The ratings favourably take into account the promoter's track record and experience in the edible oil industry and its well-established brand name in the market. The ratings also draw comfort from the Group's diversified product profile—consisting of palm, soya, cotton, mustard and edible vegetable oils—and varied clientele in the retail and institutional segments. ICRA also notes the Group's strong growth in operating income as is evident from the ~48.8% growth in FY2016 over FY2015, backed by higher volumes due to capacity expansions along with favourable growth prospects of edible oil market in India driven by population growth, rising disposable incomes and changing consumption patterns.

The ratings, however, are constrained by the high volatility in crude edible oil prices, which are subject to seasonality and crop harvest globally, influencing the Group's profitability. Profits are inherently low in the oil refining industry due to intense competition and limited product differentiation, which restricts pricing flexibility. Since most of the raw materials are imported, the Group remains exposed to forex fluctuations though the risk is largely mitigated by entering into forward contracts. The ratings also take note of the high reliance on LC backed payables for raw material imports, leading to high total outside liabilities to tangible net worth ratio (4.82x in FY2016).

ICRA also notes that any change in the duty structure imposed by the governments of both India and exporting nations can alter the duty differential between imported and domestic refined oils. The Group's future growth would be dependent on the demand and supply scenario in the domestic as well as the international level along with government regulations and import policies. Furthermore, ICRA notes that the Group's growth and profitability will continue to be vulnerable to high competition from cheaper varieties of imported edible oils, global edible oil price movements and forex fluctuation. With low repayments and working capital requirements, the Group's gearing levels as well as the liquidity position are expected to remain comfortable in the near future.

### Company Profile

Naturefresh Industries Limited was constituted as a public limited company in December 2009, with the objective of manufacturing refined edible oil, vegetable fat, margarine, vegetable fat spread, mixed fat spread, bakery shortening fats, hydrogenated vegetable oil, etc. Its products are segmented into three categories—vanaspati, bakery fats and bakery shortening.

The company's manufacturing and storage facility is located at Chattral in the Gandhinagar district of Gujarat. NIL's manufacturing capacity is 45000 MT of Vanaspati per annum. The company started manufacturing refined palm oil from late March 2014 and Vanaspati from April 2015 onwards.

GOAPL is the flagship company of the G-One Group; which is involved in refining all kinds of edible oils like palm, soya, mustard, cotton seed oil, etc. The group is headed by the same management. On a consolidated basis, the G-One Group reported a turnover of Rs. 1,413.0 crore in FY2016.

**Recent Results**

During FY2016, the company reported profit after taxes of Rs. 0.4 crore on an operating income of Rs. 110.5 crore.

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