Gokul
AGRO RESOURCES LTD.

Date: 4th February, 2023

Ref No: SEC/1002/FY 22-23

To,
BSE Limited
Department of Corporate Services,
25th Floor, Phiroze Jeejeebhoy Tower
Bandra-Kurla Complex
Mumbai - 400 001
Scrip Code:539725

To,
National Stock Exchange of India Limited
Listing Department
Exchange Plaza, Plot No. C/1, G Block
Bandra-Kurla Complex,
Bandra (E) Mumbai - 400 051
Symbol: GOKULAGRO

Ref : Intimation on revision in credit rating from CRISIL Ratings Limited under Regulations 30(6), of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir/ Madam,

Pursuant to Regulation 30(6) of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, as per intimation received from CRISIL Limited on 3rd February, 2023, we wish to inform you that CRISIL Limited has upgraded following rating action on the credit ratings.

SN	Instrument Type	Previous Rating	Revised Rating	Rating Action
1	Export Packing Credit	CRISIL A2	**CRISIL A2+**	Upgradation
2	Long Term Loans	CRISIL BBB+/Stable	**CRISIL A-/Stable**	Upgradation
3	Non-fund based Limits	CRISIL A2	**CRISIL A2+**	Upgradation

The rating letter received from CRISIL is attached as Annexure.-I. This information is also being uploaded on the website of the Company at www.gokulagro.com.

You are requested to kindly take the above on record.

Thanking You,

Yours Faithfully,
For Gokul Agro Resources Limited

JAYESHKUMAR K THAKKAR

Digitally signed by JAYESHKUMAR K THAKKAR
DN: c=IN, o=Personal,
2.5.4.20=02867ca8025eedbb3b65c63da9c016e75466321d15c26ed2ddc9c81956c234b0,
postalCode=382424, st=GUJARAT,
serialNumber=bb7ce126b6f4b625a18c704274c14da6c3257a8ecbb7908fac9f428781844f63,
cn=JAYESHKUMAR K THAKKAR, l=AHMEDABAD,
title=3408,
pseudonym=340820210619160508427,
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Date: 2023.02.04 15:17:59 +05'30'

Jayesh Thakkar
Managing Director
(DIN:03050068)

Encl: As Above

CRISIL Ratings

Rating Rationale

February 03, 2023 | Mumbai

Gokul Agro Resources Limited

Ratings upgraded to 'CRISIL A-/Stable/CRISIL A2+'; Rated amount enhanced

Rating Action

Total Bank Loan Facilities Rated	**Rs.1712.02 Crore (Enhanced from Rs.1400 Crore)**
Long Term Rating	**CRISIL A-/Stable (Upgraded from 'CRISIL BBB+/Stable')**
Short Term Rating	**CRISIL A2+ (Upgraded from 'CRISIL A2')**

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its ratings on the bank facilities of Gokul Agro Resources Limited (GARL; part of the Gokul Agro group) to **'CRISIL A-/Stable/CRISIL A2+'** from 'CRISIL BBB+/Stable/CRISIL A2'.

The rating upgrade reflects CRISIL Ratings' belief that the business risk profile of the group will remain healthy supported by steady revenue growth and stable operating margin, resulting in comfortable cash accrual over the medium term. In fiscal 2022, revenue increased to Rs 10,391 crore with operating margin at 2.16%, resulting in healthy cash accrual of Rs 152 crore. Consolidated revenue and cash accrual stood at Rs 5,647 crore and Rs 72 crore, respectively, in the first six months of fiscal 2023. CRISIL Ratings believes the business risk profile will remain healthy driven by product mix and increase in geographical reach. Further, risk management practices will help sustain the operating margin over the medium term. The financial risk profile will remain healthy over the medium term despite large capital expenditure (capex) undertaken by the group. Timely stabilisation of operations at the capex, leading to significant increase in revenue and profitability, will remain a key monitorable.

The ratings reflect the group's strong business risk profile, backed by established industry presence, large scale of operations, efficient working capital management, improving operating efficiency, comfortable debt protection metrics and prudent risk management practices. These strengths are partially offset by leveraged capital structure, exposure to risks related to ongoing projects, and susceptibility to regulatory changes, climatic conditions, or unfavourable movement in commodity prices or foreign exchange (forex) rates.

Analytical approach

CRISIL Ratings has combined the business and financial risk profiles of GARL and its wholly owned subsidiary, Maurigo Pte Ltd, and step-down subsidiary (wholly owned subsidiary of Maurigo Pte Ltd), Riya International Pte Ltd. This is because the entities, collectively referred to as the Gokul Agro group, are under the same management and have operational and financial linkages.

Please refer Annexure - List of entities consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

Established presence and large scale of operations: The promoters, Mr Kanubhai Thakkar and his family members, have experience of over three decades in the edible oil industry. The group generates 15-20% of revenue through export of soya meal, mustard deoiled cake (DOC), castor oil and its derivatives.

It has over 500 dealers and distributors; the top five clients contribute to 20-25% of overall revenue. The group is well established and has a reputed clientele, which includes Parle, ITC Ltd, Britannia Industries Ltd and Godrej Industries Ltd. It enjoys wide presence through its brands, Vitalife, Zaika, Mahek, Pride, Richfield, Puffpride and Biscopride.

On the procurement side, the group benefits from the presence of its subsidiaries in Singapore (which is a key oil trading hub) and its longstanding association with the largest industry players and plantations. Its longstanding presence has enabled healthy relationships with suppliers and buyers.

The Gokul Agro group has seed processing capacity of 3,200 tonne per day (TPD), DOC capacity of 1,000 TPD, oil refining capacity of 3,400 TPD, vanaspati manufacturing capacity of 200 TPD and castor derivative capacity of 100 TPD at its plant in Gandhidham, Gujarat. It registered revenue of Rs 10,391 crore in fiscal 2022, which grew at compound annual rate of 15% over the five fiscals through 2022. With majority of the revenue coming from the palm products segment, the group has established its place among the top players in this segment. It will continue to benefit from its established position and the promoters' experience over the medium term.

Efficient working capital management: The group manages its working capital efficiently, with minimal stocking of goods and low receivables, which it further tightened in fiscal 2022. Gross current assets (GCAs) are estimated at 40 days as on March 31, 2022, driven by receivables and inventory of 7 days and 26 days, respectively. GCAs are estimated at 44 days as on September 30, 2022, and expected at 40-50 days over the medium term.

Sound operating efficiency: Return on capital employed (RoCE) improved to over 30% in fiscal 2022 from 17-23%. The improvement in RoCE was backed by low yet improving operating margin and faster rotation of capital, resulting in increase in revenue. Average capacity utilisation was 80-90% at the refining unit (through the year) and the seed crushing unit (during the season).

Comfortable debt protection metrics: Interest coverage and net cash accrual to adjusted debt ratios improved to 4.3 times and 0.48 time, respectively, in fiscal 2022, from 2.55 times and 0.4 time, respectively, in fiscal 2021. Though interest coverage ratio will get impacted because of debt-funded capex over the medium term, it is expected above 3 times over the medium term.

Prudent risk management practices: The group covers itself against inventory price fluctuations through back-to-back purchase arrangements, wherein 70-75% of the stock is pre-sold. Also, the remaining stock is hedged through commodity exchange at CBOT, MCX and NCDEX. Given the large crude oil import, the group is exposed to forex risk; however, it covers its forex as soon as it books revenue against the stock. The domestic prices reflect fluctuations in international oil prices and exchange rates. Hence, the group keeps its forex exposure open until sales take place. Also, the group exports around a fifth of its revenue, providing a partial natural hedge. The counterparty risk is mitigated by the large and longstanding clientele, quantitative restrictions and limit on exposure to a single customer base.

Weaknesses:
Leveraged capital structure: Networth is estimated at a healthy Rs 470 crore as on March 31, 2022; however, total outside liabilities to tangible networth ratio (TOLTNW) was high at 2.65 times, though it improved from 3.5 times a year earlier. The ratio is high on account of significant funding requirement for the scale of operations. However, adjusted indebtedness (fixed deposit, cash balance, secured receivables netted off from total outside liabilities) was average at 1.8 times as on March 31, 2022. The TOLTNW ratio will remain leveraged on account of significant working capital requirement and capex.

Exposure to risks related to ongoing projects: The group had undertaken debt-funded capex of Rs 230 crore in fiscal 2022 for establishment of the oil refining unit in Krishnapatnam, Andhra Pradesh, which has capacity of 1,400 TPD. The capex was funded through term debt of Rs 160 crore and internal accrual. Further, in June 2022, the group acquired an oil refining unit in Haldia, West Bengal, under National Company Law Tribunal (NCLT), which has capacity of 1,200 TPD. The total cost of this capex was Rs 150 crore, funded through term debt of Rs 120 crore and internal accrual. Also, the group is undertaking capex for corporate office, which is majorly funded through term debt and is largely completed. Hence, the capital structure will remain leveraged over the medium term. Timely completion of capex, successful ramp-up of operations with improvement in operating margin and generation of sufficient cash accrual for servicing debt will remain crucial.

Susceptibility to regulatory changes and climatic conditions: The edible oil industry is closely monitored and regulated by the government because of its direct bearing on the average person’s food plate composition. At various points in time, the government has imposed restrictions through imposition or reduction in duties and exemptions or limitations in import of certain edible oils or from certain countries. Furthermore, India’s high import dependence makes the industry vulnerable to international demand-supply dynamics and regulations in the origin country. The Gokul Agro group derives 60-65% of its revenue from the palm products segment, indicating high revenue concentration and import dependence risks. Moreover, edible oil, being an agricultural commodity derivative, is affected by changes in weather, epidemics and monsoon, which may impact the yield, price and availability in a particular year. The risk is further compounded by the group’s low and volatile operating margin, which is exposed to sudden commodity price and forex fluctuations.

Liquidity: Adequate
Liquidity is supported by optimum management of letter of credit maturity, healthy cash accrual against debt obligation and moderate bank limit utilisation. The company relies on significant letter of credit facilities to support the import of crude oil and domestic purchases. It ensures timely and adequate funds for servicing letter of credit through continued build-up of funds from sale proceeds. The usual bank balance and margin money fixed deposit balance of over Rs 200 crore (Rs 329 crore and Rs 312 crore, respectively, as on March 31, 2022, and September 30, 2022, respectively) will cover the upcoming maturing letter of credit obligation. Bank limit utilisation (export packing credit) averaged 45% over the 12 months through October 2022. Net cash accrual, expected at Rs 118-172 crore per annum, will sufficiently cover yearly debt obligation of Rs 24-66 crore over the medium term. Current ratio was moderate at 1.2 times as on March 31, 2022

Outlook: Stable
The Gokul Agro group will continue to benefit from the promoters’ extensive experience and established relationships with clients

Rating Sensitivity Factors
Upward factors
- Significant increase in revenue and operating margin leading to net cash accrual of more than Rs 170 crore
- Improvement in the financial risk profile, with interest coverage ratio more than 3 times and TOLTNW ratio less than 2 times
- Better diversification among oils in terms of revenue concentration along with steady rise in cash accrual and stable working capital cycle
- Timely stabilisation of operations leading to significant increase in revenue and profitability

Downward factors

- Increase in the TOLTNW ratio over 3 times or weakening of debt protection metrics
- Fall in the operating margin, stretched working capital cycle or large capex, weakening the liquidity
- Delay in stabilisation of operations of ongoing capex

About the Group

GARL came into existence following the demerger of Gokul Refoils and Solvent Ltd (GRSL). The demerger received approval and sanction from the High Court of Gujarat, with the effective date being July 01, 2015. GRSL started operations in 1982 as a partnership firm to carry out trading of sugar and edible oil, with Mr Kanubhai Thakkar and Mr Balvantsinh Rajput as its promoters. In 1992, the firm was incorporated as Gokul Refoils and Solvent Pvt Ltd. Over the years, it has expanded its refining capacity and has set up crushing and extraction facilities at different locations.

Operations of GARL are managed by Mr Kanubhai Thakkar and his family members. The Gokul Agro group has seed processing capacity of 3,200 TPD, DOC capacity of 1,000 TPD, oil refining capacity of 3,400 TPD, vanaspati manufacturing capacity of 200 TPD and castor derivative capacity of 100 TPD at its plant in Gandhidham.

GARL has a subsidiary, Maurigo Pte Ltd, and step-down subsidiary, Riya International Pte Ltd. These entities are based in Singapore and are engaged in procurement and supply for GARL. Their presence in Singapore eases procurement of crude oil by the group and lowers the borrowing cost.

Key financial indicators

As on/for the period ended March 31	Unit	2022	2021
Operating income	Rs crore	10,391	8,387
Reported profit after tax (PAT)	Rs crore	123	45
PAT margin	%	1.18	0.53
Adjusted debt / adjusted networth	Times	0.61	0.53
Interest coverage	Times	4.30	2.55

Performance in the first half of fiscal 2023

As on / for the period ended	Unit	H1 2023
Operating income	Rs crore	5,647
Reported PAT	Rs crore	58
PAT margin	%	1.02
Adjusted debt/adjusted networth	Times	0.47
Interest coverage	Times	3.23

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity level	Rating assigned with outlook
NA	Export Packing Credit	NA	NA	NA	200	NA	CRISIL A2+
NA	Long Term Loan	NA	NA	Sep-2040	396.52	NA	CRISIL A-/Stable
NA	Non-Fund Based Limit	NA	NA	NA	1115.50	NA	CRISIL A2+

Annexure - List of Entities Consolidated

Names of entities consolidated	Extent of consolidation	Rationale for consolidation
Gokul Agro Resources Ltd	Full consolidation	Entities are wholly owned subsidiary and step-down subsidiary under a common management and have significant business and financial linkages
Maurigo Pte Ltd		
Riya International Pte Ltd		

Annexure - Rating History for last 3 Years

	Current			2023 (History)		2022		2021		2020		Start of 2020
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT/ST	596.52	CRISIL A2+ /		--	24-05-22	CRISIL BBB+/Stable	27-09-21	CRISIL A3+ / CRISIL		--	--

			CRISIL A-/Stable				/ CRISIL A2		BBB/Positive			
			--		--		--	08-09-21	CRISIL A3+ / CRISIL BBB/Positive		--	--
Non-Fund Based Facilities	ST	1115.5	CRISIL A2+		--	24-05-22	CRISIL A2	27-09-21	CRISIL A3+		--	--
			--		--		--	08-09-21	CRISIL A3+		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Export Packing Credit	30.75	Central Bank Of India	CRISIL A2+
Export Packing Credit	50.25	State Bank of India	CRISIL A2+
Export Packing Credit	25	Union Bank of India	CRISIL A2+
Export Packing Credit	3	Bank of India	CRISIL A2+
Export Packing Credit	15	Punjab National Bank	CRISIL A2+
Export Packing Credit	26	The Jammu and Kashmir Bank Limited	CRISIL A2+
Export Packing Credit	50	Bank of Baroda	CRISIL A2+
Long Term Loan	6.16	Union Bank of India	CRISIL A-/Stable
Long Term Loan	21.26	IndusInd Bank Limited	CRISIL A-/Stable
Long Term Loan	11.61	State Bank of India	CRISIL A-/Stable
Long Term Loan	160	Central Bank Of India	CRISIL A-/Stable
Long Term Loan	0.9	Bank of India	CRISIL A-/Stable
Long Term Loan	28.04	ICICI Bank Limited	CRISIL A-/Stable
Long Term Loan	21.91	Bandhan Bank Limited	CRISIL A-/Stable
Long Term Loan	10.43	Bank of Baroda	CRISIL A-/Stable
Long Term Loan	3.38	Punjab National Bank	CRISIL A-/Stable
Long Term Loan	12.83	The Jammu and Kashmir Bank Limited	CRISIL A-/Stable
Long Term Loan	35	Bajaj Finance Limited	CRISIL A-/Stable
Long Term Loan	45	Axis Finance Limited	CRISIL A-/Stable
Long Term Loan	40	Aditya Birla Finance Limited	CRISIL A-/Stable
Non-Fund Based Limit	50	IDFC FIRST Bank Limited	CRISIL A2+
Non-Fund Based Limit	155.15	Central Bank Of India	CRISIL A2+
Non-Fund Based Limit	293.13	State Bank of India	CRISIL A2+
Non-Fund Based Limit	0.8	IndusInd Bank Limited	CRISIL A2+
Non-Fund Based Limit	210	Bank of Baroda	CRISIL A2+
Non-Fund Based Limit	58	Punjab National Bank	CRISIL A2+
Non-Fund Based Limit	66.02	The Jammu and Kashmir Bank Limited	CRISIL A2+
Non-Fund Based Limit	50	IndusInd Bank Limited	CRISIL A2+
Non-Fund Based Limit	53	Axis Bank Limited	CRISIL A2+
Non-Fund Based Limit	75.45	Bank of India	CRISIL A2+
Non-Fund Based Limit	99.75	Union Bank of India	CRISIL A2+
Non-Fund Based Limit	4.2	IndusInd Bank Limited	CRISIL A2+

This Annexure has been updated on 03-Feb-22 in line with the lender-wise facility details as on 27-Sep-21 received from the rated entity.

Criteria Details

Links to related criteria
[CRISILs Approach to Financial Ratios](#)
[Rating criteria for manufaturing and service sector companies](#)

[**CRISILs Bank Loan Ratings - process, scale and default recognition**]
[**CRISILs Bank Loan Ratings**]
[**The Rating Process**]
[**CRISILs Criteria for Consolidation**]
[**Understanding CRISILs Ratings and Rating Scales**]
[**CRISILs Criteria for rating short term debt**]

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For more information, visit www.crisilratings.com

About CRISIL Limited

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It is India’s foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

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