

Press Release

Shree Mahavir Oil & General Mills

June 26, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 8.50 Cr.
Long Term Rating	ACUITE B- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B-**' (**read as ACUITE B minus**) on the Rs. 8.50 crore bank facilities of Shree Mahavir Oil & General Mills (SMOGM). The outlook is '**Stable**'.

Established in 1995, Shree Mahavir Oil & General Mills (SMOGM) is a Rajasthan-based firm engaged in manufacturing of mustard oil & cake and engaged in trading of agro commodities like guar, barley, wheat, etc. The firm is promoted by Mr. Suresh Goyal and family.

Key Rating Drivers

Strengths

- **Long experience of promoters in edible oil industry**

Partners of the Shree Mahavir Oil & General Mills (SMOGM) Mr. Suresh Kumar Goyal and family. Mr. Suresh Kumar Goyal possesses experience of over two decades in the oil industry. The partner of the firm has a long experience which helps them in developing good relations with customers and suppliers.

Weaknesses

- **Weak Financial Risk Profile:**

SMOGM has weak financial risk profile marked by low net worth of Rs.0.78 crore as on 31 March, 2018 (Provisional) as against 0.74 crore as on 31 March, 2017. Gearing (debt-equity) stood high at 10.78 times as on FY2018 (Provisional) as against 12.20 times in the previous year. The Interest Coverage ratio stood moderate at 1.22 times for FY2018 (Prov.) as against 1.10 times for FY2017. TOL/TNW stood high at 16.07 times as on 31 March, 2018 (prov.) as against 22.12 times in the previous year.

Acuité expects the firm to continue its weak risk profile in the medium term due to low capital base. Further the firm's ability to improve its net worth along with debt protection metrics will remain key rating sensitivity.

- **Thin profitability margins:**

SMOGM has registered EBITDA margins of 2.66 percent in FY2018 (Provisional) as against 2.12 percent in FY2017. The firm has started trading of agro commodities in addition to manufacturing of mustard oil and cake. The PAT margins have also improved to 0.30 percent in FY2018 (Provisional) as against 0.08 percent in FY2017.

• **Competitive and Fragmented Nature of Business:**

The firm operates in the manufacturing of mustered oil and cake business. This industry is marked by the presence of established players in the industry. There are established players like Mani Shankar oil private limited, Engine Mustered oil, Kabir Mustered Oil, Double Sher Mustered oil and Fortunes oil are in the industry, which has established brand name and wide reach to market. This exposes firm to competitive pressure from the established players.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

Acuité believes SMOGM will maintain a stable business risk profile in the medium term on account of its experienced management and established track record. The outlook may be revised to 'Positive' in case the company registers improvement in capital structure and sustained improvement in revenue while improving profitability margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile, or lower than expected cash accrual or lengthening of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	38.74	58.31	54.19
EBITDA	Rs. Cr.	1.03	1.24	1.17
PAT	Rs. Cr.	0.12	0.05	0.06
EBITDA Margin	(%)	2.66	2.12	2.15
PAT Margin	(%)	0.30	0.08	0.10
ROCE	(%)	10.11	12.59	12.43
Total Debt/Tangible Net Worth	Times	10.78	12.20	11.52
PBDIT/Interest	Times	1.22	1.10	1.15
Total Debt/PBDIT	Times	8.17	6.59	7.86
Gross Current Assets (Days)	Days	115	103	138

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>
- Manufacturing Entity - <https://www.acuite.in/view-rating-criteria-4.htm>
- Trading Entity - <https://www.acuite.in/view-rating-criteria-6.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
19-July-2017	Cash Credit	Long Term	6.00	ACUITE B- (Indicative)
	Term Loan	Long Term	0.50	ACUITE B- (Indicative)
11-April-2016	Cash Credit	Long Term	6.00	ACUITE B-/Stable (Assigned)
	Term Loan	Long Term	0.50	ACUITE B-/Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE B-/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE B-/ Stable (Reaffirmed)

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About Acuité Ratings & Research:

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