

### Abhay Solvents Private Limited: Assigned

Facilities	Amount (Rs Crore)	Rating/Outlook
Cash Credit	20.00	SMERA BB/Stable (Assigned)
Term Loan	4.00	SMERA BB/Stable (Assigned)

SMERA has assigned rating of '**SMERA BB**' (read as **SMERA double B**) to the above mentioned bank facilities of Abhay Solvents Private Limited (ASPL). The outlook is '**Stable**'. The rating is supported by the experienced management, long track record of operations and comfortable working capital cycle. However, the rating is constrained by the moderate financial risk profile and thin profitability.

ASPL, incorporated in 1993, is headed by Mr. Abhay Mehta (Director) and family who possesses over four decades of experience in the edible oil industry. The company's working capital cycle is comfortable with Gross current asset (GCA) days at ~89 for FY2016. The comfortable GCA emanates from the debtor days of 23 and creditor days of 26 for FY2016 (Provisional).

However, the rating is constrained by the company's moderate financial risk profile marked by moderate networth of Rs.18.48 crore as on March 31, 2016 (Provisional) as against Rs.17.33 crore in the previous year. The interest coverage ratio (ICR) stood at 1.72 times for FY2016 as compared to 2.22 times for FY2015. The Debt service coverage (DSCR) stood low at 0.81 times for FY2016 as against 1.46 times for FY2015. The rating also notes the thin profit margins with profit after tax (PAT) at 0.83 per cent for FY2016 as against 0.73 per cent in FY2015 and 0.66 per cent in FY2014.

#### Rating Sensitivity Factors

- Scaling up operations and profitability
- Deterioration in the financial risk profile

#### Outlook-Stable

SMERA believes that ASPL will maintain a stable outlook and benefit from its experienced management in the medium term. The outlook may be revised to 'Positive' if the company registers improvement in scale of operations while achieving healthy profit margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

#### Criteria applied to arrive at the rating:

- Manufacturing Entities

#### About the Company

ASPL, incorporated in 1993, is headed by Mr. Abhay Mehta and family. The company is engaged in the extraction and refining of rice bran oil at Koppal district, Karnataka.

For FY2015-16, the company reported profit after tax (PAT) of Rs.1.15 crore (Provisional) on operating income of Rs.138.86 crore, as compared with net profit of Rs.0.80 crore on operating income of Rs.110.86 crore in FY2014-15. The net worth stood at Rs.18.48 crore as on March 31, 2016 as compared with Rs.17.33 crore, a year earlier.

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