

S. V. Refineries Private Limited: Assigned

| Facilities | Amount (Rs Crore) | Ratings/Outlook |
|------------------|-------------------|----------------------------|
| Term loan | 18.62 | SMERA B+/Stable (Assigned) |
| Cash Credit | 4.00 | SMERA B+/Stable (Assigned) |
| Letter of Credit | 33.00 | SMERA A4 (Assigned) |

SMERA has assigned long term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the above mentioned bank facilities of S. V. Refineries Private Limited (SVRPL). The outlook is '**Stable**'.

The ratings derive comfort from the experienced management and commencement of commercial production of the oil refining unit. The ratings also factor in the moderate financial risk profile on account of subordinated unsecured loans. However, the ratings are constrained by the limited track record of operations and susceptibility of margins to fluctuations in raw material prices and foreign exchange rates.

The Telangana-based SVRPL was established by promoters Mr. Shubham Gupta and Mrs. Sumanlatha Gupta in 2015 to manufacture edible oil. The promoters possess extensive experience in the aforementioned line of business through group entities that operate in the same industry. The unit commenced commercial production of edible oil in the first week of September, 2016 after a five month delay. The facility has been set up at a project cost of Rs.47.07 crore at Telangana, funded through a term loan of Rs.18.62 crore, promoter's capital of Rs.10.00 crore and unsecured loan of Rs.18.44 crore (subordinated to bank debt and hence treated as quasi equity). The financial risk profile of the company is expected to be moderate.

However, the company has limited track record of operations. Besides, SVRPL's margins would be susceptible to prices of crude oil that are volatile in nature. Further, since the company plans to import crude edible oil, the margins will be susceptible to fluctuations in forex rates as well.

Rating Sensitivity Factors

- Scaling up of operations while operating profitably
- Efficient working capital management
- Deterioration of capital structure

Outlook-Stable

SMERA believes the outlook on SVRPL's rated facilities will remain stable over the medium term due to its experienced management. The outlook may be revised to 'Positive' in case the company achieves strong growth in revenues while registering profits and maintaining a comfortable capital structure. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the expected scale of operations and profit margins leading to deterioration of the capital structure.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

SVRPL was incorporated in 04 December, 2015 by Mr. Shubham Gupta and Mrs. Sumanlatha Gupta to manufacturing edible oil. The facility, located at Maheshwaram, Telangana has an installed capacity of 165,000 MTPA (550 MTPD).

SVRPL commenced commercial operations on September 05, 2016.

Contacts:

| Analytical | Business Development |
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| Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in | Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in |

ABOUT SMERA

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