Press Release

S. V. Refineries Private Limited

09 October, 2017

Rating Upgraded

Total Bank Facilities Rated*	55.62 Cr.
Long Term Rating	SMERA BB/Stable (Upgraded from SMERA B+/Stable)
Short Term Rating	SMERA A4+ (Upgraded from SMERA A4)

**Refer Annexure for details*

SMERA has upgraded the long term rating on the Rs.55.62 crore bank facilities of S. V. Refineries Private Limited (SVRPL) to **'SMERA BB' (read as SMERA double B) from 'SMERA B+' (read as SMERA B plus)** and also upgraded the short term rating to **'SMERA A4+' (read as SMERA A Four plus)** from '**SMERA A4'** (**read as SMERA A four**). The outlook is **'Stable'**.

The upgrade is in view of the higher than expected revenues and profitability margins achieved by the company. SMERA believes that SVRPL will maintain profitability margins along with growth in revenues over the medium term on the back of its experienced management.

List of key rating drivers and their detailed description:

Strengths

Experienced management: SVRPL was promoted by Mr. Shubham Gupta and Mrs. Sumanlatha Gupta who possess experience of around a decade in the edible oil industry.

Moderate financial risk profile: The financial risk profile of SVRPL is moderate marked by healthy net worth of Rs. 31.31 crore as on 31 March, 2017 (Provisional) which includes unsecured loans to the tune of Rs. 19.15 crore considered as quasi equity. The gearing (debt to equity ratio) stood at 0.66 times as on 31 March, 2017 (Provisional). The total debt of Rs. 20.62 crore as on 31 March, 2017 comprises term loan of Rs. 14.41 crore and working capital borrowings of Rs. 6.21 crore. The interest coverage ratio (ICR) is healthy at 3.32 times for FY2016-17 (Provisional) while debt service coverage ratio (DSCR) stood at 2.93 times for FY2016-17 (Provisional).

The net cash accruals stood healthy at Rs. 3.20 crore in FY2017 (Provisional) as against the long term debt obligation of Rs. 0.78 crore. The Net Cash Accrual/Total Debt stood at 0.16 times in FY2017 (Provisional).

SMERA believes that SVRPL will sustain its moderate financial risk profile on the back of healthy net cash accruals and absence of debt funded capex.

Healthy growth in revenues and profitability: SVRPL has registered operating income of Rs. 330.14 crore in FY2016-17 (Provisional) in six months operations in FY2017. Further, for the period April to August 2017 the company booked revenue of Rs. 300 crore. The operating (EBITDA) margins stood at 1.59 per cent in FY2017 (Provisional) while PAT margins were at 0.76 per cent in FY2017 (Provisional).

SMERA believes that SVRPL will maintain a healthy growth in revenues and profitability on the back of its experienced management.

Efficient working capital cycle: SVRPL has efficient working capital cycle of five days in FY2017 (Provisional). The inventory days stood low at 20 in FY2017 (Provisional). The debtor days stood at 31 days in FY2017 and creditor days at 46 days in FY2017 (Provisional). The GCA days are also comfortable at 65 days in FY2017 (Provisional). However, the bank limit utilisation stands at 90 per cent for the last six months ended August, 2017.

Weaknesses

Limited track record of operations: The company has limited track record of operations as commercial production started in the month of October 2016.

Susceptibility of margins to fluctuations in raw material prices and forex rates: The company is engaged in the manufacturing of edible oil. The prices of crude edible oil are volatile in nature hence the profitability is highly susceptible to the ability of the company to pass on the same to its customers. Further, the company imports 25 per cent of the crude edible oil from Singapore and hence margins are susceptible to movements in forex prices as well.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of SVRPL to arrive at the rating.

Outlook – Stable

SMERA believes that the outlook on SVRPL's rated facilities will remain stable over the medium term. The outlook may be revised to 'Positive' in case the company achieves strong growth in revenues while registering improvement in profit margins and maintaining a comfortable capital structure. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in the revenues, profit margins and capital structure.

About the Rated Entity – Key Financials

In FY2016-17 (Provisional), the company reported profit after tax (PAT) of Rs.2.51crore on operating income of Rs.330.14 crore. The tangible net worth stood at Rs.31.31 crore as on 31 March, 2017 as against Rs. 7.78 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable): None

Any other information: None

Applicable Criteria

- Default Recognition - https://www.smera.in/criteria-default.htm
- Manufacturing Entities - https://www.smera.in/criteria-manufacturing.htm
- Financial Ratios And Adjustments - https://www.smera.in/criteria-fin-ratios.htm

Note on complexity levels of the rated instrument
https://www.smera.in/criteria-complexity-levels.htm

Rating History for the last three years:

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
22-Sep, 2016	Term Loan I	Long Term	18.62	SMERA B+/ Stable (Assigned)
	Letter of Credit	Short Term	33.00	SMERA A4 (Assigned)
	Cash Credit	Long Term	4.00	SMERA B+/ Stable (Assigned)

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Term Loan	N.A	N.A	N.A	18.62	SMERA BB/Stable (Upgraded from SMERA B+/Stable)
Letter of Credit	N.A	N.A	N.A	33.00	SMERA A4+ (Upgraded from SMERA A4)
Cash Credit	N.A	N.A	N.A	4.00	SMERA BB/Stable (Upgraded from SMERA B+/Stable)

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations Tel: +91-22-6714 1190 Email: vinayak.nayak@smera.in Namita Palve, Rating Analyst, Tel: +91-22-6714 1129 Email: namita.palve@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

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