

### R.P. Edible Oils Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit*	25.00	SMERA BB/Stable (Assigned)
Letter of Credit	31.00	SMERA A4+ (Assigned)
Proposed Short Term	3.80	SMERA A4+ (Assigned)

\* 75% inter-changeability from CC limit to LC limit.

\* The CC BD limit is sublimit of CC stock.

SMERA has assigned long-term rating of '**SMERA BB**' (read as SMERA double B) and short term rating of '**SMERA A4+**' (read as SMERA A four plus) on the Rs.59.80 crore bank facilities of R.P. Edible Oils Private Limited (R P Edible Oils). The outlook is '**Stable**'.

The ratings draw support from the experienced management and moderate financial risk profile marked by low gearing and comfortable debt protection metrics. However, the ratings are constrained by the significant decline in profitability, exposure to fluctuations in raw material prices and intense competition in the edible oil industry. The ratings are also constrained by the high Gross Current Assets (GCA) days.

R P Edible Oils, incorporated in 1996 is engaged in the manufacturing, filtering, packing and trading of edible oils. The company imports raw oil such as crude palm oil, rice bran oil and degum soya bean oil from Singapore, Malaysia and Brazil to process and sell in the domestic market. The promoters have more than two decades of experience in the said line of business.

The financial risk profile is marked by comfortable gearing (debt-to-equity) of 0.81 times as on 31 March, 2016 against 0.80 times in FY2014-15. Moreover, the interest coverage ratio stood at 1.81 times in FY2015-16 against 1.90 times in FY2014-15.

However, the company registered decline in profit after tax (PAT) margin of 0.06 per cent in FY2015-16 as against 0.32 per cent in FY2014-15. The operating margin declined to 2.53 per cent in FY2015-16 as against 3.54 per cent in FY2014-15. The company operates in an intensely competitive segment of the edible oil industry. Besides, the profit margins are susceptible to volatility in raw material prices of crude. The company has high Gross Current Assets (GCA) days of 114 days in FY15-16 against 130 days in FY14-15.

#### Rating Sensitivity Factors

- Increase in profitability
- Improving working capital cycle

#### Outlook: Stable

SMERA believes that R P Edible Oils will maintain a stable outlook in the medium term owing to the established operations and extensive experience of the promoters in the business. The outlook may be revised to 'Positive' in case of significant improvement in operations, profitability and margins. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile.

**Criteria applied to arrive at the ratings:**

- Manufacturing Entities

**About the Company**

The Delhi-based R P Edible Oils was incorporated in 1996 by Mr. B M Agarwal, Mr. Ajay Agarwal, Mr. K.C Agarwal and Rakesh Agarwal. The company is engaged in the filtering, packing and trading of edible oil and sells its products under the brand name of Tulsi, Utsav, Mohan Gold among others.

For FY2015-16, the company reported PAT of Rs.0.15 crore on operating income of Rs.236.88 crore, as compared with PAT of Rs.0.66 crore on operating income of Rs.208.16 crore in FY2014-15. The net worth stood at Rs.41.85 crore as on March 31, 2016 against Rs.41.71 crore a year earlier.

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**ABOUT SMERA**

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