

Press Release

S V A Rikkon Lubes Private Limited

July 15, 2020



Rating Withdrawn

Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	ACUITE BB (Withdrawn)
Short Term Rating	ACUITE A4+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn the long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) and the short-term rating of '**ACUITE A4+**' (**read as ACUITE A four Plus**) on the Rs. 12.00 crore bank facilities of S V A Rikkon Lubes Private Limited (SVA). The rating withdrawal is in accordance with the Acuité's policy on withdrawal of rating.

The rating has been withdrawn on account of request received from the company and No Objection Certificate (NOC) received from the banker.

Established in 1996 as a proprietorship concern by Mr. Venkatesan; the firm was reconstituted as a private limited company in 2004 and renamed as S V A Rikkon Lubes Private Limited (SVA). It is a closely-held private limited company formed by the family members of Mr. Venkatesan, Mrs. V.Sujatha, Mr.V. Aravindhan and Mr. V.Jagan as directors. SVA manufactures and sells industrial and automotive lubricants in its brand name 'LUBERR' through direct marketing across India. It has a manufacturing unit at Athipet, Ambattur, Chennai.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the SVA to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management**

The company was established in 1996 promoted by Mr. Venkatesan in Chennai. A family-owned company, the business operations are currently handled by his sons and daughters who have more than two decades of experience in Automatic Lubrication Systems manufacturing business. Promoters experience in the industry has helped the company to establish relationships with several suppliers and customers as is demonstrated by repeat orders from the same. It resulted in improvement in revenues; at a compound annual growth rate (CAGR) of about 5 percent over four years through FY2020 (provisional). Acuité believes that the Company's business risk profile is expected to improve further supported by the expanding capacity, vintage of the promoter and the financial flexibility the company enjoys.

- **Comfortable financial Risk Profile**

SVA's financial risk profile is healthy marked by healthy gearing (debt-to-equity), total outside liabilities to total net worth (TOL/TNW) and debt protection metrics though constrained by modest networth. The gearing is healthy at 0.82 times as on March 31, 2019. TOL/TNW is healthy at around 1.30 times, owing to less reliance on external debt and modest net worth of Rs.10.50 crore as on March 31, 2019. The debt protection metrics of Interest service coverage is healthy at 11.38 times, and net cash accruals to total debt (NCA/TD) stood at 0.62 times March 31, 2019.

Weaknesses

• Modest scale of operations

The Company's operations are modest, It's operating income stood at Rs. 28.05 crore in FY2020 (prov) against Rs. 29.89 crore in FY2019. However, its existing scale of operations is akin to an average-sized company Industrial Equipment Industry. However, with improving end-user demand, the revenues are to improve to about Rs.25.00 -40.00 crore over the medium term.

• Working capital intensive operations

The operations of the company are moderately working capital intensive in nature; as reflected by high gross current asset days of over 142 days as on March 31, 2019. The high GCA is mainly attributed to high debtor days of about 72 days and, it maintains a minimal stock of about 84 days for smooth operations. Its bank line is utilized at 78% over the past six months ended through June 2020. However, Acuité believes that the operations will continue to be working capital intensive.

Rating Sensitivities

Not Applicable

Material Covenants

None

Liquidity Position: Adequate

The company has an adequate liquidity profile. The company generated cash accruals in the range of Rs.3.65-5.29 crore through FY2019 and its maturing debt obligations were in the range of Rs.0.27-1.25 crore during the same period. Its bank line is utilized at 78% over the past six months ended through June 2020. The company maintains unencumbered cash and bank balances of Rs. 0.30 crore as on March 31, 2019. The current ratio stood at 1.34 times as on March 31, 2019.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	29.89	22.10
PAT	Rs. Cr.	3.58	2.57
PAT Margin	(%)	11.97	11.62
Total Debt/Tangible Net Worth	Times	0.82	0.72
PBDIT/Interest	Times	11.38	8.24

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
24-Oct-2019	Cash Credit	Long Term	2.00	ACUITE BB Issuer not co-operating*
	Proposed Cash Credit	Long Term	0.25	ACUITE BB Issuer not co-operating*
	Term Loan	Long Term	4.00	ACUITE BB Issuer not co-operating*
	Proposed Term Loan	Long Term	1.25	ACUITE BB Issuer not co-operating*
	IBN (Inland bill Negotiation)	Short Term	4.50	ACUITE A4+ Issuer not co-operating*
30-Aug-2018	Cash Credit	Long Term	2.00	ACUITE BB/Stable (Assigned)
	Proposed Cash Credit	Long Term	0.25	ACUITE BB/Stable (Assigned)
	Term Loan	Long Term	4.00	ACUITE BB/Stable (Assigned)
	Proposed Term Loan	Long Term	1.25	ACUITE BB/Stable (Assigned)
	IBN (Inland bill Negotiation)	Short Term	4.50	ACUITE A4+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB Withdrawn
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE BB Withdrawn
Term Loan	Not Available	Not Applicable	Not Available	4.00	ACUITE BB Withdrawn
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	1.25	ACUITE BB Withdrawn
IBN (Inland bill Negotiation)	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE A4+ Withdrawn

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About Acuité Ratings & Research:

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