

Press Release

Snehal Impex Private Limited

March 29, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	SMERA B- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B-**' (read as **SMERA B minus**) on the Rs. 6.00 crore bank facilities of Snehal Impex Private Limited. The outlook is '**Stable**'.

Snehal Impex Private Limited (SIPL) was incorporated in 1993 and commenced operations in September 2014. The company is engaged in the manufacturing of agro-pesticides on job work basis at Ankleshwar. The company caters to Gujarat Agro Industries Corporation Limited, UPL Limited, Gujarat Insecticides Limited among others.

Key Rating Drivers

Strengths

- **Experienced management**

SIPL benefits from its experienced management. Mr. Maganbhai Nanubhai Dudhat and Mr. Chandreshbhai Anandbhai Devani, the promoters, possess experience of around three decades in the aforementioned business.

Weaknesses

- **Small scale of operations**

SIPL has small scale of operations with operating income of Rs. 1.92 cr in FY2015-16 and Rs.1.14 cr in FY2014-15. The company reported revenue of Rs. 2.00 cr for the period April 2016 to January 2017.

- **Weak financial risk profile**

SIPL has incurred continuous net losses. In FY2016, the loss stood at Rs.1.03 cr as against Rs.1.15 cr in FY2015. The tangible networth is negative at Rs.0.37 cr as on March 31, 2016. The Interest coverage ratio stood at 0.46 times for FY2015-16 as compared to 0.34 times for FY2014-15. The Debt Service coverage ratio stood at 0.87 times for FY2015-16 as compared to 0.77 times in FY2014-15. The promoters have continuously infused funds which enable the company to make timely repayment of debt.

- **Working capital intensive operations**

The operations are working capital intensive reflected in the gross current assets (GCA) of ~176 days for FY2015-16. Further, the working capital limits are fully utilised with average utilisation of around 100 percent in the last six months ended January 2017.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of SIPL.

Outlook: Stable

SMERA believes that SIPL will maintain a stable outlook over the medium term owing to its promoters' extensive experience in the industry. The outlook may be revised to 'Positive' in case of higher than

expected revenue and profitability along with efficient working capital management and improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of considerable decline in revenue and profitability or deterioration in the financial risk profile and working capital management impacting liquidity.

About the Rated Entity - Key Financials

For FY2015-16, the company reported net loss of Rs.1.03 cr on operating income of Rs.1.92 cr as compared with Net loss of Rs.1.15 cr on operating income of Rs.1.14 cr in FY2014-15. The net worth stood at Rs. -0.37 cr as on March 31, 2016 against Rs.0.66 cr 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 (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA B- / Stable
Term loans	Not Applicable	Not Applicable	31-Mar-2021	3.86	SMERA B- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	1.14	SMERA B- / Stable

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