

Press Release

S D Solvex Private Limited

May 09, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 14.00 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 plus**) on the Rs. 14.00 crore bank facilities of S D Solvex Private Limited. The outlook is '**Stable**'.

The Punjab-based, S D Solvex Private Limited (SDSPL) was incorporated in 2013 by Mr. Pardeep Kumar and Mr. Rakesh Kumar. The company is engaged in the extraction of crude, rice bran oil and de-oiled cake and has installed capacity of ~300 tonnes per day. The company procures raw material i.e. Paddy and rice bran from local mandis and farmers and sells its product i.e. rice bran oil to refineries in Punjab and Haryana.

Key Rating Drivers

Strengths

- Experienced promoters**

The company was incorporated in 2013 by Mr. Pardeep Kumar and Mr. Rakesh Kumar who possess experience of over a decade in the agro industry.

- Strategic location**

The manufacturing facilities are located at Sunam, Punjab in close proximity to raw material sources. The company procures raw material from Punjab and sells to refineries based out of Punjab and Haryana.

- Working capital cycle**

The working capital cycle is marked by gross current assets days of 78 days in FY2016. The debtors stood at 15 days and inventory days stood at 49 days during the period.

Weaknesses

- Seasonal nature of the commodity**

The company is engaged in the manufacturing and extraction of rice bran oil and de-oiled cakes. Inadequate rainfall may affect the availability of paddy in adverse weather conditions.

- Competitive and fragmented industry**

The company faces intense competition from organised as well as unorganised players. As a result, the net profitability stood at a low of 0.15 per cent in FY2015-16 compared to 0.03 per cent in FY2014-15.

- Agro climatic risks**

Rice is the main raw material and production of the same is highly dependent upon the monsoon. Thus inadequate rainfall may affect the availability of the same in adverse weather conditions.

- Modest financial risk profile**

The company reported modest financial risk profile marked by high gearing of 3.03 times as on 31 March, 2016 as compared to 2.45 times on 31 March, 2015. The financial risk profile is supported by comfortable interest coverage ratio of 2.06 times in FY2016 mainly on account of increase in profitability metrics due to significant inventory gains. The net cash accrual to total debt (NCA/TD) stood at 0.05 times in FY2015-16. The rating also factors in the increase in networth to a modest Rs. 4.22 cr as on 31 March, 2016 (includes quasi equity of Rs.2.36 crore) as against Rs. 3.28 cr on 31 March, 2015 (includes quasi equity of Rs.1.47 crore). The increase is attributed to the periodic infusion of capital by promoters. SMERA expects the debt protection metrics and capital structure to remain prudent on account of its ability to maintain profitability margins over the medium term.

Analytical Approach

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

Outlook: Stable

SMERA believes that the outlook for SDSPL will remain 'Stable' over the medium term on account of its experienced promoters. The outlook may be revised to 'Positive' if the company achieves more than expected revenue while improving its profit margins and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in capital structure and/or deterioration of working capital cycle.

About the Rated Entity - Key Financials

In FY2015-16 the company achieved operating income of Rs.32.94 cr with Profit after Tax (PAT) of 0.05 cr as compared to operating income of Rs. 0.12 cr with negligible profit a year earlier. The networth stood at Rs.4.22 cr (includes quasi equity of Rs. 2.36 cr) in FY2015-16 as compared to Rs 3.28 cr (includes quasi equity of Rs. 1.47 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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	7.25	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.75	SMERA B+ / Stable

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