Press Release

Sri Venkateswara Food Processing Industries

May 12, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 25.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' **(read as SMERA BB minus)** and short term rating of **'SMERA A4+' (read as SMERA A four plus)** on the Rs. 25.00 crore bank facilities of Sri Venkateswara Food Processing Industries. The outlook is **'Stable'**.

Established in 2012, Sri Venkateswara Food Processing Industries (SVFPI) is a proprietorship concern engaged in the refining of sunflower and groundnut oil. The company imports crude sunflower oil from Ukraine and processes the same at its manufacturing facility at Perundurai, Tamil Nadu. The company has an aggregate installed capacity of 1200 tonnes per month (TPM).

Key Rating Drivers

Strengths

• **Experienced management**
Promoted by Mr. M. K. Ponnusamy, SVFPI is engaged in the refining of sunflower and groundnut oil since 2012. The company gains from the extensive experience of Mr Ponnusamy in the trading of edible oils (sunflower and groundnut oil).

• **Healthy financial risk profile**
The financial risk profile is marked by comfortable debt protection metrics, conservative gearing levels and low net worth base. The interest coverage and debt service coverage ratios have been at 3.15 times and 1.42 times in FY2016 respectively. The gearing levels are comfortable and improved to 0.37 times in FY2016 from 1.31 times in FY2015 mainly due to the prepayments of term loan obligations of Rs.1.50 cr (approx.) during FY2016. The net worth base of the company stood at around Rs. 5.41 cr as on March 31, 2015. The company does not have any significant capex plans over the medium term. The financial risk profile is expected to remain comfortable due to the consistent accretion to reserves and debt protection metrics. The gearing levels too are expected to be at comfortable levels in the medium term.

• **Significant revenue growth**
The company has witnessed strong revenue growth as evident from the revenue of the company which increased from Rs. 23.40 cr in FY2014 to Rs. 37.77 cr in FY2016, thereby registering a CAGR of 27.05 per cent. Further, the company has registered revenue of around Rs.42 cr (provisional) in FY2017.

Weaknesses

• **Working capital intensive operations**
SVFPI's working capital intensive operations are marked by high gross current assets (GCA) of 168 days in FY2016 as compared to 222 days in FY2015. The current assets include deposits of Rs.4.65 cr

apart from the usual debtors and inventory. The inventory stood at 74 days in FY2016 (as compared to 151 days in FY2015) and debtors at 49 days in FY2016 (as compared to 38 days in FY2015). However, the inventory has been low in FY2016.

- **Low profitability**
  The net profit margins have been at low levels. The PAT stood at 0.62 percent in FY2016 as compared to 0.64 percent in FY2015 mainly due to raw material prices which have been in the range of around 91-94 percent of the total sales during the past three years.

- **Agro climatic risks**
  The company is exposed to agro climatic risks.

- **Intense competition**
  SVFPI faces competition from domestic players in the oil refining industry.

Analytical Approach

SMERA has taken a standalone view of the business and financial risk profiles of the entity.

Outlook: Stable

SMERA believes that SVFPI will maintain a stable outlook in the medium term owing to its healthy financial risk profile and experienced management. The outlook may be revised to 'Positive' if SVFPI maintains sustained improvement in revenues while improving profitability. Conversely, the outlook may be revised to 'Negative' in case of lower- than-expected growth in revenue and profitability or if the working capital cycle further elongates.

About the Rated Entity - Key Financials

For FY2016, SVFPI reported profit after tax (PAT) of Rs.0.24 cr on total operating income of Rs.37.77 cr, as compared with PAT of Rs.0.20 cr on total operating income of Rs.31.20 cr in FY2015. The tangible net worth stood at Rs.5.41 cr in FY2016 as compared to Rs.4.41 cr in FY2015.

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	3.53	SMERA BB- / Stable
Term loan	Not Applicable	Not Applicable	24.05.2019	0.47	SMERA BB- / Stable
Foreign LC / BG	Not Applicable	Not Applicable	Not Applicable	21.00	SMERA A4+

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in Nikhil Tantia Analyst - Rating Operations Tel: 033-66201206 nikhil.tantia@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 varsha.bist@smera.in

ABOUT SMERA

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