

Press Release

Sri Venkateswara Food Processing Industries

August 02, 2018



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB-**' (**read as ACUITE BB minus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE 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 Perundurai (Tamil Nadu) based proprietorship concern involved in processing of sunflower oils with installed capacity of 1200 tons/month.

Key Rating Drivers

Strengths

- **Experienced management**

The Promoter of SVFPI, Mr. M. K. Ponnusamy has experience of more than two decades in edible oil industry. SVFPI previously was involved in trading of sunflower oil for two decades (under another name), but has started refining operations in FY2012.

- **Moderate financial risk profile**

The financial risk profile of the firm is marked by healthy debt protection metrics, healthy gearing levels and low net worth base. The interest coverage ratio stood at 3.06 times at FY2018 (Provisional) as against 2.86 times in FY2017. The gearing levels of the firm are comfortable at 1.41 times in FY2018 (Provisional) as against 0.25 times in FY2017. The net worth base of the firm remained at low levels of around Rs.6.06 crore as on FY2018 (Provisional). The firm does not have any significant capex plans over the medium term.

- **Significant revenue growth**

SVFPI are into this business since FY2013 and the firm has witnessed strong revenue growth since then. The revenue of the firm has increased to Rs.52.36 crore in FY2018 (Provisional) from Rs.40.32 crore in FY2017.

Weaknesses

- **Working capital intensive operations**

SVFPI's operations are working capital intensive marked by high Gross Current Assets of 174 days in FY2018 (Provisional) as compared to 259 days in FY2017. The creditors are at 106 days in FY2018 (Provisional) as compared to 252 days in FY2017. Inventory stood at 78 days in FY2018 (Provisional) as compared to 108 days in FY2017 and debtors stood at 53 days in FY2018 (Provisional) as compared to 107 days in FY2017.

- **Reduced profitability**

Profitability has declined as EBITDA margin stood at 1.18 percent in FY2018 (Provisional) as against 2.12 percent in FY2017. PAT margin stood at 0.51 percent in FY2018 (Provisional) as against 0.64 percent in FY2017.

- **Intense competition**

Edible oil industry is highly fragmented with a large number of organised and unorganised players. The competition is intensified due to low entry barriers and low product differentiation.

Analytical Approach

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

Outlook: Stable

Acuité believes that the outlook on SVFPI will remain 'Stable' over the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the firm achieves higher than expected growth in revenues while improving profitability. Conversely, the outlook may be revised to 'Negative' in case of lower than expected growth in revenues and decline in profitability.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	52.36	40.32	37.77
EBITDA	Rs. Cr.	0.62	0.86	0.80
PAT	Rs. Cr.	0.27	0.26	0.24
EBITDA Margin	(%)	1.18	2.12	2.12
PAT Margin	(%)	0.51	0.64	0.62
ROCE	(%)	5.33	8.68	15.67
Total Debt/Tangible Net Worth	Times	1.41	0.25	0.37
PBDIT/Interest	Times	3.06	2.86	3.15
Total Debt/PBDIT	Times	8.92	1.34	1.85
Gross Current Assets (Days)	Days	174	259	168

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

Not Applicable

Any other information

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
12-May-2017	Cash Credit	Long Term	3.53	ACUITE BB- / Stable (Assigned)
	Term Loan	Long Term	0.47	ACUITE BB- / Stable (Assigned)
	Letter of Credit	Short Term	21.00	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/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.53	ACUITE BB-/ stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.01	ACUITE BB-/ stable (Reaffirmed)
Foreign LC/ BG	Not Applicable	Not Applicable	Not Applicable	21.00	ACUITE A4+ (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	0.46	ACUITE BB-/ stable (Reaffirmed)

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About Acuité Ratings & Research:

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