

Press Release

Sri Aishwarya Refinery Private Limited

June 06, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 27.00 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-** (read as **SMERA BBB minus**)' and short term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs. 27.00 crore bank facilities of Sri Aishwarya Refinery Private Limited. The outlook is '**Stable**'.

The Hyderabad-based Sri Aishwarya Refinery Private Limited (SARPL) is engaged in the manufacturing of palm refined oils rice bran and cotton seed refined oil. The company was promoted by Mr Kailash Chand Maniyar and is part of the Maniyar Refinery group. Currently their plant is located in Hyderabad and their installed capacity is 200 mt per day.

Key Rating Drivers

Strengths

- **Experienced management**

SARPL was established in 2011 by Mr Kailash Chand Maniyar who possesses more than four decades of experience in the edible oil industry. Currently business is actively managed by the Maniyar family and now the second generation had also entered the business.

- **Strong financial risk profile**

The strong financial risk profile is marked by moderate gearing, comfortable interest coverage ratio and average debt protection measures. The debt equity stood at 0.97 times in FY2017 (Provisional) as against 1.11 times in FY2016. Total debt of Rs 16.96 crore consist of long term debt of Rs 0.57 crore of unsecured loan, Rs 5.34 crore of term loan from Andhra Pradesh State Financial Corporation and Rs 9.76 crore of short term debt (cash credit facility). The interest coverage ratio stood at 1.88 times in FY2017 (Provisional) as against 1.89 times in FY2016. Moreover, the Net Cash Accruals to Total Debt (NCA/TD) stood at 0.13 times in FY2017 (Provisional) and 0.11 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood at 1.19 times in FY2017 (Provisional) and 1.22 times in FY2016. The network levels of the company stood at Rs.16.39 crore as on 31 March, 2017 and Rs.14.30 crore as on 31 March, 2016. SMERA has treated Rs 5.5 crore of unsecured loan as quasi equity based on confirmation from the client that the amount would be maintained in the business over the medium term. SMERA believes that the financial risk profile of the company would be sustained over the medium term backed by steady growth and consistent accruals.

- **Efficient working capital management**

The efficient working capital management is marked by low gross current asset days of 49 and 52 in FY2017 (Provisional) and FY2016 respectively while its debtor days stood at 40 in FY2017 (Provisional) compared to 51 in FY2016. The company caters to both the wholesale and retail markets directly and through intermediaries such as brokers, commission agents etc. The operations are spread across Gujarat, Maharashtra, Andhra Pradesh, Delhi, Telangana to name a few.

• Healthy revenue growth

The company has registered 43 per cent revenue growth in FY2016. Revenue increased from Rs 150 crore in FY2015 to Rs 214.40 crore in FY2016. The company has undertaken capex in FY2015-16 for modernisation of its existing machinery that has helped improve production and quality of refined oil. Currently, the installed capacity is 200 mt per day (previous it was 100 mtpd). The company registered revenue of Rs 238 crore in FY2017 (Provisional).

Weaknesses**• Susceptibility of profitability margins to volatility in raw material prices and agro climatic risk**

The raw materials being agro products are dependent upon the monsoon, area under cultivation, minimum support price among others. Hence, the profitability margins are susceptible to fluctuations in the prices of raw materials. Any change in the climate conditions may interrupt the supply of palm, rice bran and cotton.

Analytical Approach

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

Outlook: Stable

SMERA believes that the outlook on SARPL's rated facilities will remain stable over the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the company registers sustained growth in revenue while improving profit margins. Conversely, the outlook may be revised to 'Negative' in case of decline in operating profit margins or capital structure on account of debt funded capex and higher working capital borrowings.

About the Rated Entity - Key Financials

For FY2015-16, SARPL registered Profit After Tax (PAT) of Rs.1.25 crore on operating income of Rs.214.40 crore, as compared with PAT of Rs 0.89 crore on operating income of Rs.150 crore in FY2014-15. Till mid March, 2017 the company registered Rs 226 crore (Provisional).

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	12.00	SMERA BBB- / Stable

Letter of credit	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA A3
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ABOUT SMERA

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