

Press Release

Sri Aishwarya Refinery Private Limited

August 17, 2018

Rating Reaffirmed and Assigned/Outlook revised



Total Bank Facilities Rated*	Rs.34.62 Cr. (Enhanced from Rs.27.00 crore)
Long Term Rating	ACUITE BBB- / Outlook: Negative (Reaffirmed, Assigned and Outlook revised from 'Stable')
Short Term Rating	ACUITE A3 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) to the Rs.27.00 crore bank facilities of Sri Aishwarya Refinery Private Limited (SARPL). Further, Acuite has assigned long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs.7.62 crore. Further, Acuite has revised the outlook to '**Negative**' from 'Stable'.

The revision in outlook reflects the build-up of unrealized subsidy receivables resulting in stretched cash flow from operations.

The rating continues to derive support from the experienced management, moderate financial risk profile and comfortable working capital operation. However, the aforementioned strengths are partially offset by susceptibility of the profitability to volatility in raw material prices along with competitive and fragmented nature of industry.

The Hyderabad based, Sri Aishwarya Refinery Private Limited (SARPL) was incorporated in 2011 by Mr. Kailash Chand Maniyar. The company is engaged in refining of Palm Oil, Rice Bran and Cotton Seed Oil. The company has an installed capacity of 200 MT per day.

Analytical Approach

Acuite has considered standalone business and financial risk profile of Sri Aishwarya Refinery Private Limited to arrive at this rating.

Key Rating Drivers

Strengths

☐ Experienced Management:

The promoter Mr. Kailash Chand Maniyar has an experience of over a decade in the industry. SARPL is expected to continue to leverage its well established relationships with reputed clients and suppliers like Godrej Agrovert Limited, A.P. Co-Op Oil Seeds Grower Federation Ltd amongst others over the medium term. Acuite believes that SARPL will continue to benefit from its experienced management.

☐ Moderate financial risk profile

SARPL has moderate financial risk profile marked by moderate tangible net worth, low gearing and above average debt protection measures. The tangible networth of the company stands Rs.17.41 crore as on 31 March, 2018 (Provisional) as against Rs.16.12 crore as on 31 March, 2017. The gearing stood at 1.17 times as on 31 March, 2018 (Provisional) as against 0.99 times as on 31 March, 2017. The unsecured loans of Rs.5.50 crore are considered as quasi equity and subordinated to bank debt. Total outside Liabilities/Tangible Net Worth (TOL/TNW) however, stood at 2.34 times as on 31 March,

2018 (Provisional) as against 2.27 times as on 31 March, 2017. The debt of Rs.20.35 crore mainly consists of term loan of Rs.4.16 crore, unsecured loan of Rs.1.26 crore and working capital borrowings of Rs.14.93 crore as on 31 March, 2018 (Provisional). The Interest Coverage Ratio (ICR) stood at 1.61 times in FY2018 (Provisional) as against 1.69 times in FY2017. Debt Service Coverage Ratio (DSCR) stood at 1.10 times in FY2018 (Provisional) as against 1.11 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.09 times as on 31 March, 2018 (Provisional) as against 0.12 times as on 31 March, 2017. Going forward, Acuite expects the financial risk profile to improve marginally in the absence of major debt funded capex plans backed by moderate cash accruals.

☐ **Comfortable Working capital operations**

SARPL's working capital operations are comfortable marked by Gross Current Assets (GCA) of 59 days in FY2018 (Provisional) compared to 56 days in FY2017. The GCA days are dominated mainly on account of debtor days of 44 days in FY2018 (Provisional) compared to 43 days in FY2017. The inventory days stood at 7 days for FY2018 (Provisional) and 6 days for FY2017. Acuite believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Weaknesses

☐ **Susceptibility of profitability to volatility in raw material prices**

Oilseed production in India is insufficient to meet rising demand in India, thus the gap between demand and supply is generally met through imports. Thus, prices are determined by global forces of demand and supply which results in volatility in prices both at input level as well as at end product level. Moreover, government intervenes at regular intervals in the form of changes in duty structure to protect the interest of refiners and to narrow the gap between duties on crude oil and refined oil. Also, oilseed production is exposed to vagaries of nature.

☐ **Competitive and fragmented industry**

The company operates in a highly competitive and fragmented industry and faces tough competition from various established brands in the edible oil industry as well as several unorganised players which could have an impact on the bargaining powers with the customers and hence, the margins.

Outlook: Negative

Acuite believes that the outlook of SARPL will remain 'Negative' over the medium term owing to build up of unrealized subsidy receivables. The rating may be downgraded further in case of further elongation of its working capital cycle. Conversely, the outlook may be revised to 'Stable' in case the company's operating margins improve from the current levels while maintaining its working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	265.38	237.90	214.40
EBITDA	Rs. Cr.	4.40	1.94	4.87
PAT	Rs. Cr.	1.29	1.33	1.25
EBITDA Margin	(%)	1.66	0.82	2.27
PAT Margin	(%)	0.49	0.56	0.58
ROCE	(%)	15.62	16.72	16.15
Total Debt/Tangible Networth	Times	1.17	0.99	1.11
PBDIT/Interest	Times	1.61	1.69	1.89
Total Debt/PBDIT	Times	3.32	2.67	3.22
Gross Current Assets (Days)	Days	59	56	52

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

Not Applicable

Any other information

None

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
06-Jun-2017	Cash Credit	Long Term	12.00	ACUITE BBB-/ Stable (Assigned)
	Letter of Credit	Short Term	15.00	ACUITE A3 (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	12.00	ACUITE BBB-/Negative (Reaffirmed, Outlook revised)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB-/Negative (Assigned)
Term Loan I	Not Applicable	Not Applicable	Not Applicable	3.87	ACUITE BBB-/Negative (Assigned)
Term Loan II	Not Applicable	Not Applicable	Not Applicable	0.75	ACUITE BBB-/Negative (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3 (Reaffirmed)

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About Acuité Ratings & Research:

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