

Press Release

L D Solvex Private Limited (LDSPL)

28 October, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs.7.85 Crore
Long Term Rating	SMERA B/Stable (Assigned)

*Refer Annexure for details

SMERA has assigned long term rating of '**SMERA B**' (read as **SMERA B**) on the Rs.7.85 crore bank facilities of L D Solvex Private Limited (LDSPL). The outlook is '**Stable**'.

The Punjab based, L D Solvex Private Limited (LDSPL) was incorporated in 1997 by Mr. Pradeep Kumar and Mr. Rakesh Kumar. The company is engaged in the extraction and manufacturing of crude rice bran oil and de - oiled cake. The installed capacity stands at ~300 tonnes per day. The company procures its key raw materials i.e. paddy and rice bran from local mandis and farmers and sells its products i.e. rice bran oil to refineries in Punjab and Haryana.

List of Key Rating Drivers and their detailed description

Strengths:

Experienced management: The promoters, Mr. Pradeep Kumar and Mr. Rakesh Kumar possess experience of around two decades in the agro industry. The extensive experience has helped the company develop healthy relations with customers and suppliers.

Strategic location: The manufacturing facility is located at Sumana, Punjab. Since the region has ample production of rice, the company benefits from proximity to raw material source.

Weaknesses:

Weak financial risk profile: The financial risk profile is weak marked by low net worth, high gearing and moderate coverage indicators. The networth levels stood at around Rs. 1.59 crore as on 31 March 2017 (Provisional) compared to Rs.1.51 crore in the previous year. The gearing (debt-to-equity) stood at 5.32 times as on 31 March, 2017 (Provisional), compared to 5.73 times as on 31 March, 2016. The high gearing is on account of low net worth of Rs.1.59 crore as against total debt of Rs.8.48 crore in FY2016-17. The total debt includes term loan of Rs. 0.38 crore, unsecured loan of Rs.1.23 and working capital limit of Rs.6.87 crore. The interest coverage ratio stood at a moderate 1.37 times in FY2016-17 (Provisional) against 1.34 times in FY2015-16. The net cash accrual to total debt (NCA/TD) stood at 0.04 times in FY2017 (Provisional) and FY2016 respectively. The debt service coverage ratio (DSCR) stood at 1.23 times in FY2017 (Provisional) as against 1.19 times in FY2016.

Modest scale of operations and low profitability margins: The scale of operations has been moderate with operating income of Rs.22.22 crore in FY2017 (Provisional) compared to Rs.20.18 crore in FY2016. The profitability margin has been low at 0.40 percent in FY2017 (Provisional) as against 0.29 percent in FY2016.

Intense competition: The company faces intense competition from established players which is likely to have an impact on its operating performance and profitability.

Analytical approach: SMERA has considered the standalone business and financial risk profile of the company.

Applicable Criteria

- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smerra.in/criteria-default.htm>

Outlook: Stable

SMERA believes that the company will maintain a stable outlook on the back of the management's extensive experience. The outlook may be revised to 'Positive' in case of sustained increase in revenues and improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile due to debt-funded capital expenditure.

About the Rated Entity – Key Financials

For FY2016-17 (Provisional), the company reported profit after tax (PAT) of Rs.0.09 crore on operating income of Rs.22.22 crore, compared with PAT of Rs.0.06 crore on operating income of Rs.20.18 crore in FY2015-16. The net worth stood at Rs.1.59 crore as on 31 March, 2017 (Provisional) against Rs.1.51 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: NA

Rating History for the last three years:

Name of Instrument /Facilities	FY2018 (Current)			FY2017		FY2016		FY2015	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	7.00	SMERA B/Stable (Assigned)	-	-	-	-	-	-
Term Loan	LT	0.85	SMERA B/Stable (Assigned)	-	-	-	-	-	-

*Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	N.A	N.A	N.A	7.00	SMERA B/Stable (Assigned)
Term Loan	N.A	N.A	N.A	0.85	SMERA B/Stable (Assigned)

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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