

Press Release

DIAMOND SOLVEX PRIVATE LIMITED

February 14, 2018

Rating Assigned



| | |
|-------------------------------------|-----------------------------|
| Total Bank Facilities Rated* | Rs. 33.00 Cr. |
| Long Term Rating | SMERA BB- / Outlook: Stable |

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) on the Rs.33.00 crore bank facilities of DIAMOND SOLVEX PRIVATE LIMITED. The outlook is '**Stable**'.

The Punjab-based Diamond Solvex Private Limited was incorporated in 1992 by three brothers, viz. Mr. Kishori Lal Jain, Mr. Janak Raj Jain, and Mr. Manmohan Lal Jain. The company is engaged in the extraction of rice bran, sun flower oil and manufacturing of de-oiled cakes at its two manufacturing facilities at Amritsar. The manufacturing capacity stands at 150 tons per day (rice bran) and 250 tons per day (sun flower).

Key Rating Drivers

Strengths

- **Experienced management**

The company is headed by Mr. Atul Jain who has experience of more than two decades in the industry. The extensive experience has helped the company establish long term relations with suppliers and customers.

- **Locational advantage**

The manufacturing facilities are located at Amritsar and benefit from its proximity to raw material source. The company generates maximum revenue from the sale of rice bran oil.

- **Comfortable working capital cycle**

The working capital operations are comfortable marked by Gross Current Asset days of 87 in FY2017 compared to FY2016. The GCA days are mainly dominated by inventory days of 45 in FY2017 and 67 in FY2016. The inventory days are on the higher side as DSPL procures rice bran in bulk to avail discounts and also due to its seasonal nature. The cash credit and overdraft facilities were fully utilised.

Weaknesses

- **Reducing operating margins**

The operating margins fell to 2.92 percent in FY2017 compared to 3.27 percent in FY2016 and 3.40 percent in FY2015 due to increase in raw material prices. The company is unable to pass on the increase to customers.

- **Below average financial risk profile**

The financial risk profile is below average marked by net worth of Rs 6.60 crore in FY 2017 compared to Rs 6.10 crore in FY2016. The company has a high gearing of 4.14 times in FY2017 and 4.05 times in FY2016. The total debt of Rs 27.05 crore consists of cash credit and overdraft facilities. The Interest Coverage Ratio stood at 1.36 times in FY2017 compared to 1.36 times in FY2016. The DSCR stood at 1.34 times in FY2017 and 1.39 times in FY2016.

- **Competitive and fragmented industry**

The company faces intense competition from organised as well as unorganised players in the industry. This has an impact on its bargaining power with customers.

• Susceptibility of margins to volatility in raw material prices

The edible oil industry is exposed to agro-climatic risks and margins are susceptible to fluctuations in raw material prices.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Diamond Solvex Private Limited to arrive at the rating.

Outlook: Stable

SMERA believes that DSPL will maintain a Stable outlook over the medium term owing to its promoters' extensive industry experience and working capital cycle. The outlook may be revised to 'Positive' in case of sustainable improvement in profitability margins. Conversely, the outlook may be revised to 'Negative' if DSPL's financial risk profile worsens.

About the Rated Entity - Key Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 148.98 | 121.05 | 109.99 |
| EBITDA | Rs. Cr. | 4.36 | 3.96 | 3.74 |
| PAT | Rs. Cr. | 0.14 | 0.07 | 0.28 |
| EBITDA Margin | (%) | 2.92 | 3.27 | 3.40 |
| PAT Margin | (%) | 0.10 | 0.06 | 0.25 |
| ROCE | (%) | 10.68 | 10.45 | 21.07 |
| Total Debt/Tangible Net Worth | Times | 4.14 | 4.05 | 3.92 |
| PBDIT/Interest | Times | 1.36 | 1.39 | 1.49 |
| Total Debt/PBDIT | Times | 6.16 | 6.18 | 5.47 |
| Gross Current Assets (Days) | Days | 87 | 91 | 92 |

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

CARE Ratings in its press release dated December 26, 2017 inter alia has stated the following " CARE has been seeking information from Diamond Solvex Private Limited (DSPL) to monitor the rating vide e-mail communications dated December 01, 2017; November 15, 2017; October 26, 2017; October 06, 2017; September 11, 2017; and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating. In line with the extant SEBI guidelines CARE's rating on Diamond Solvex Private Limited's bank facilities will now be denoted as CARE B+, ISSUER NOT COOPERATING*." "

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.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 | 16.00 | SMERA BB- / Stable |
| Overdraft | Not Applicable | Not Applicable | Not Applicable | 9.00 | SMERA BB- / Stable |
| Proposed Cash Credit | Not Applicable | Not Applicable | Not Applicable | 8.00 | SMERA BB- / Stable |

Contacts

| Analytical | Rating Desk |
|--|---|
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ABOUT SMERA

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