

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
Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 suman.chowdhury@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Amogh Kharkar Analyst - Rating Operations Tel: 022-67141315 Amogh.Kharkar@smera.in	.

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.