Press Release

Maharashtra Solvent Extraction Private Limited (MSEPL)

20 March, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 69.85cr.
Long Term Rating	SMERA BBB/Stable
Short Term Rating	SMERA A3+

** Refer Annexure for details*

Rating Rationale

SMERA has assigned the Long term rating to **'SMERA BBB' (read as SMERA triple B)** and Short Term Rating to '**SMERA A3+' (read as SMERA A three plus)** to the Rs.69.85 crore bank facility of Maharastra Solvent Extraction Private Limited (MSEPL). The outlook is **'Stable'.**

MSEPL was incorporated in 2004. At present the directors are Mr. Anil Dwarkadas Agrawal, Mr. Rajwardhan Raghujirao Kadambande, Mr. Sanjay Kashinath Agrawal and Mr. Kamlesh Prasad Sinha.It is engaged in extraction of crude soya bean oil and soya bean de oiled cake. It is also engaged in trading of soya bean de oiled cake which constitutes around 40 per cent which is used as cattle feed in poultry.MSEPL procure its raw materials from the local players from various places in Maharashtra and Madhya Pradesh.The installed capacity is around 850 MT per day utilized to the tune of around 94 per cent, i.e., 800 MT per day.The crude soya bean oil, around 18 per cent is entirely sold to its group company SSPL.In case of high demand in the market deoiled cakes are exported to various places like Indonesia, Kuwait, and Thailand only to name a few.MSEPL faces cyclicality and volatility since Soya bean is a one-time crop produced during October to January.

Sanjay Soya Private Limited (SSPL) was incorporated in 2004. At present, the directors are Mr. Vinod Dwarkadas Agrawal and Mr. Dhiraj Vinodkumar Agrawal. It is engaged in refining of soya bean oil, sunflower oil and cotton seed oil.During FY18, the company started with refining of sunflower oil along with refining of soya bean oil.It procures its raw materials from various local players and also from its group company Maharashtra Solvent Extraction Private Limited (MSEPL).The installed capacity for refining of soya bean oil and sunflower oil is 250 MT per day and for cotton seed oil is 250 MT per day utilized to the tune of around 90 per cent.SSPL sells its produce to various local players and bulk sale to retail food chain Haldiram's, PAN India.

SMERA has consolidated the business and financial risk profiles of Maharashtra Solvent Extraction Private Limited (MSEPL) and Sanjay Soya Private Limited (SSPL) together referred to as the 'Maharashtra Solvent Group' (MSG). The consolidation is in view of the common management, strong operational and financial linkages between the entities.

Key Rating Drivers

Strengths

- **Established track record of operations**

  Incorporated in 2004, MSEPL is in the business of extraction of crude soya bean oil and soya bean de oiled cake. It is also engaged in trading of soya bean de oiled cake and SSPL is engaged in refining of soya bean oil, sunflower oil and cotton seed oil. MSEPL is currently headed by Mr. Anil Dwarkadas Agrawal, Mr. RajwardhanRaghujiraoKadambande, Mr. Sanjay Kashinath Agrawal and Mr. Kamlesh Prasad Sinha.SSPLis currently headed by Mr. Vinod Dwarkadas Agrawal and Mr. DhirajVinodkumarAgrawal.Thecompany has an established track record of around 14 years which has helped the companies to establish long standing relations with the suppliers and customers.

- **Healthy Financial Risk Profile**
The healthy financial risk profile is marked by healthy networth, modest gearing and comfortable debt protection measures. The networth stood at Rs. 48.56 crore as on 31 March, 2017 as compared to Rs. 45.74 crore as on 31 March, 2016. The debt equity stands at 2.46 times in FY2017 times as compared to 1.36 in the previous year owing to higher utilization of short term debt. Moreover, the Net Cash Accruals to Total Debt (NCA/TD) stood at 0.07 times while Debt Service Coverage (DSCR) stood at 1.66 times as on March 31, 2017. The Interest Coverage Ratio stood at 2.07 times in FY2017 as compared to 2.36 times in FY2016.

- **Comfortable working capital cycle**
The working capital management is marked by gross current asset (GCA) days of 54 in FY2017 and 33 in FY2016. The debtors stood moderate at 21 days in FY2017 compared to 8 days in FY2016. The inventory is managed well and it stood at 23 and 17days in FY2017 and in FY2016 respectively in spite of dealing with seasonal products.

Weaknesses

- **Susceptibility to fluctuations in raw material price**
The group is engaged in the extracting and refining of edible oil. The prices of crude edible oil are volatile in nature hence the profitability is highly susceptible to the ability of the company to pass on the same to its customers. The susceptibility can be observed in the fluctuating operating revenue. The group registered operating revenue of Rs. 1077.50 crore in FY17 as against Rs. 872.06 crore and Rs. 975.04 crore in FY16 and FY15 respectively.

- **Highly fragmented oil industry**
The Indian edible oil industry is highly fragmented, with a large number of companies in the organised and unorganised sector due to low entry barriers (low capital and technical requirements of business and liberal policy regime). This has resulted in severe competition and inherently thin profitability margins.

Analytical Approach

SMERA has consolidated the business and financial risk profiles of Maharashtra Solvent Extraction Private Limited (MSEPL) and Sanjay Soya Private Limited (SSPL) together referred to as the ‘Maharashtra Solvent Group’ (MSG). The consolidation is in view of the common management, strong operational and financial linkages between the entities.

Outlook: Stable

SMERA believes that the outlook on MSG’s rated facilities will remain Stable over the medium term on account of its established track record of operations and long standing relation with their suppliers and customers. The outlook may be revised to ‘Positive’ in case of growth in their revenue while maintaining their profitability. Conversely, the outlook may be revised to ‘Negative’ in case of decline in their revenue while maintaining their profitability.

About the Rated Entities- Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	1,077.50	872.06	975.84
EBITDA	Rs. Cr.	20.28	16.42	16.33
PAT	Rs. Cr.	2.53	2.66	2.60
EBITDA Margin	(%)	1.88	1.88	1.67
PAT Margin	(%)	0.23	0.30	0.27
ROCE	(%)	8.95	9.70	21.91
Total Debt/Tangible Net Worth	Times	2.46	1.36	1.69
PBDIT/Interest	Times	2.07	2.36	1.98
Total Debt/PBDIT	Times	6.61	3.79	4.16
Gross Current Assets (Days)	Days	54	34	30

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - https://www.smera.in/criteria-default.htm
- Manufacturing entities- https://www.smera.in/criteria-services.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

Status of non-cooperation with previous CRA (if applicable): None

*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	NA	NA	NA	64.70	SMERA BBB/Stable
Bank Guarantee	NA	NA	NA	0.25	SMERA A3+
Cash Credit (Proposed)	NA	NA	NA	4.90	SMERA BBB/Stable

Contacts:

Analytical	Rating Desk
Suman Chowdhury President – SMERA Bond Ratings Tel: +91-22-6714 1107 suman.chowdhury@smera.in Debalina Maity, Rating Analyst, Tel: +91-33-66201212 debalina.maity@smera.in	VarshaBist Manager-Rating Desk Tel: 022-67141160 varsha.bist@smera.in

ABOUT SMERA

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