

Press Release

Pitambar Solvex Private Limited

July 06, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 37.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs.37.00 crore bank facilities of PITAMBAR SOLVEX PRIVATE LIMITED. The outlook is '**Stable**'.

Pitambar Solvex Private Limited (PSPL), incorporated in 2012, commenced its operations in FY2015. PSPL is engaged in the manufacturing of de-oiled cakes and refining of edible crude oil using oil cakes and unprocessed edible crude oil as its raw material. It has an installed capacity of 500 MT/day for solvent extraction with a crushing unit to convert oil cake into de-oiled cakes (output-460 MT/day) and impure refined oil (output-40 MT/day) and 250 MT/day for the refinery unit (processing of impure refined oil). The capacity utilisation as on 31 March, 2018 stood at ~65-70 percent.

Key Rating Drivers

Strengths

• Experienced management

PSPL is promoted by Mr. Rajesh Sharma, Mr. Satyendra Pal Tiwari and Mr. Ashok Kumar Malhotra. Mr. Rajesh Sharma who is a Chartered Accountant by profession has been associated with the edible oil industry for more than a decade by way of providing consultancy services in the past. During his tenure he catered to companies like Adani, Bhaskar Group, JVL Agro, to name a few. Further, Mr. Tiwari, a techno credit, with a B.E. degree has extensive experience in designing, engineering, and providing turnkey execution of plants in the oil sector. His knowledge of the industrial plants and processes has helped PSPL in efficient utilisation of its machinery. Mr. Ashok Kumar Malhotra was previously engaged in the trading of oil cakes. Acuite believes that the promoters' extensive experience in the edible oil industry will help the company maintain good relations with its customers and suppliers.

• Moderate financial risk profile

The financial risk profile of the company has been moderate marked by net worth of Rs.17.93 crore as on 31 March, 2018 (Provisional) as against Rs.14.91 crore as on 31 March, 2017. The gearing stood at 1.93 times as on 31 March, 2018 (Provisional) as against 1.59 times as on 31 March, 2017. The total debt of Rs.34.62 crore outstanding as on 31 March, 2018 (Provisional) comprises unsecured loans from Directors of Rs.2.01 crore, long term loans of Rs.6.99 crore and working capital facility of Rs.25.62 crore from the bank. The ICR improved to 2.87 times in FY2018 (Provisional) against 1.70 times in FY2017. The Net Cash Accruals stood comfortable at Rs.4.52 crore in FY2018 (Provisional) against a debt obligation of Rs.1.62 crore. The NCA/TD ratio stood at 0.13 times in FY2018 (Provisional) as against 0.09 times in FY2017.

• Healthy working capital cycle

PSPL's working capital cycle is healthy marked by a Gross Current Assets of 25 days for FY2018 (Provisional) against 22 days in FY2017. This is on account of low debtor collection period and inventory cycle of 8 and 17 days in FY2018 (Provisional) as against 2 and 20 days in FY2017. Going ahead, Acuite believes that the company will be able to sustain the healthy working capital cycle.

• Healthy growth in revenues

PSPL commenced its operations in FY2015. Since then, it has registered a CAGR of ~50 percent. The company recorded an operating income of Rs.627.78 crore in FY2018 (Provisional) against Rs.368.14 crore in FY2017. Going ahead, Acuite believes that the company will be able to maintain healthy revenues on account of planned increase in capacity utilisation levels.

• Strategic plant location

PSPL is mainly into mustard oil and its processing facility is located on the Delhi-Jaipur Highway. Rajasthan is the largest mustard producing state in India. Further, the company saves on its transportation costs due to presence of Shahpur transport hub being close to them thus having close proximity to mustard oil growing regions.

Weaknesses

• Susceptibility of margins to fluctuations in raw material prices on account of agro climatic risk

Major raw material for the company is mustard oil cake and crude edible oil. Being an agro product, the industry is dependent on the monsoon, crop yield, area under cultivation, minimum support price and other financial incentives announced by the government. Any change in the aforementioned may interrupt the supply of mustard. Hence, Acuite believes that PSPL's margins are susceptible to fluctuations in raw material prices.

• Highly competitive and fragmented edible oil industry

Edible oil extraction and refinery companies in India are dependent on imports for crude edible oil. Further, due to low capital intensive nature of business, the entry barriers are low resulting in intense market competition and thin profitability.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Pitambar Solvex Private Limited to arrive at this rating.

Outlook: Stable

Acuite believes that PSPL will maintain a 'Stable' outlook owing to the extensive experience of its promoters in the industry and a healthy working capital cycle. The outlook may be revised to 'Positive' if the scale of operations increases substantially while improving profitability and capital structure. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues, profitability or deterioration in the financial risk profile owing to higher-than-expected debt-funded capex or working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	627.78	368.14	249.20
EBITDA	Rs. Cr.	8.91	5.30	4.62
PAT	Rs. Cr.	3.02	1.26	0.97
EBITDA Margin	(%)	1.42	1.44	1.85
PAT Margin	(%)	0.48	0.34	0.39
ROCE	(%)	16.31	10.43	9.90
Total Debt/Tangible Net Worth	Times	1.93	1.59	2.47
PBDIT/Interest	Times	2.87	1.70	1.61
Total Debt/PBDIT	Times	3.87	4.46	7.13
Gross Current Assets (Days)	Days	25	22	48

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

Not Applicable

Any other information

Not Applicable

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)

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	30.00	ACUITE BB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	4.02	ACUITE BB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.38	ACUITE BB+ / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.60	ACUITE BB+ / Stable