Press Release

Yentop Manickam Edible Oils Private Limited

September 06, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 79.50 crore
Long Term Rating	ACUITE BB- / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-' (read as ACUITE BB minus)** on the Rs.79.50 crore bank facilities of Yentop Manickam Edible Oils Private Limited. The outlook is **'Stable'**.

Yentop Group was established in 1900's as a family business. The group consists of Yentop Manickam Edible Oils Pvt. Ltd. (YMEL), Manickavel Edible Oils Pvt. Ltd. (MEPL) and Yentop Manickavel Sons Ediblie Oils Pvt. Ltd. (YMSL). YMEL was incorporated in 2002 by Mr. Nagalingam and Mr. Mathavan. The group is engaged in bulk trading of edible palm oil under the brand name of 'Yentop'. Nearly 80 percent of the palm oil is imported from Singapore and Malaysia and is distributed in Kerela and Tamilnadu. Although the group has processing facilities, due to the increased duty on imported crude Palmolein oil for the past two years, the group is importing refined oil.

Analytical Approach

Acuité has consolidated the financial and business profiles of Yentop Manickam Edible Oils Pvt. Ltd. (YMEL), Manickavel Edible Oils Pvt. Ltd. (MEPL) and Yentop Manickavel Sons Ediblie Oils Pvt. Ltd. (YMSL) together referred to as the Yentop Group. The consolidation is in view of the common ownership, similarity in the lines of business and operational linkages within the group.

Key Rating Drivers

Strengths

- **Established track record of operations**
  Yentop group has a track record of operations for over six decades. They have established long standing relationships with customers and suppliers over this period.

- **Experienced management**
  Yentop group was established by Mr. Manickavel, and is now managed by his sons, Mr. Nagalingam and Mr. Mathavan. Both have experience of over four decades in the industry. The second line of management has experience of more than two decades and has been associated with company for long period.

Weaknesses

- **Low profitability margins**
  Yentop Group is operating in edible oil market characterized by thin margin due to low value additive and intense competition. In FY2017, the operating margin stood at 0.10 percent in FY2017 as against 0.58 percent in FY2016. The Profit after Tax (PAT) margins stood at (0.03) percent in FY2017 as against 0.08 percent in FY2016. Further, major portion of PAT is on account of other income earned by the company.

- **Working capital intensive operations**
Yentop group operations are working capital intensive marked by high Gross Current Asset (GCA) of 222 days in FY2017 which has increased from 170 days in FY2016. The GCA days are mainly due to high debtor days of 106 in FY2017 compared to 76 days in FY2016.

- **Average financial risk profile**
The financial risk profile is moderate marked by net worth of Rs.75.20 crore as on 31 March, 2017 as against Rs.54.72 crore as on 31 March, 2016. The gearing stood at 1.35 times as on 31 March, 2017 as against 1.60 times as on 31 March, 2016. The total debt of Rs.101.35 crore outstanding as on 31 March, 2017 comprised Rs.87.97 crore of working capital borrowing, unsecured loans from family and relatives of Rs.11.78 crore and term loans of Rs.1.60 crore. The Interest Coverage Ratio stood at 1.54 times in FY2017 as against 1.27 times in FY2016. The Debt Service Coverage ratio stood at 1.02 times in FY2017 as against 1.19 times in FY2016. The net cash accruals to total debt ratio stood at 0.01 times in FY2017 as against 0.03 times in FY2016.

Outlook: Stable
Acuité believes the group will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management and established track record of operations. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues or profit margins, or in case of deterioration in liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	1662.63	1629.06	1496.92
EBITDA	Rs. Cr.	1.59	9.38	-3.30
PAT	Rs. Cr.	-0.55	1.36	1.76
EBITDA Margin	(%)	0.10	0.58	-0.22
PAT Margin	(%)	-0.03	0.08	0.12
ROCE	(%)	5.09	8.89	8.39
Total Debt/Tangible Net Worth	Times	1.35	1.60	1.83
PBDIT/Interest	Times	1.54	1.27	1.90
Total Debt/PBDIT	Times	10.70	6.34	11.82
Gross Current Assets (Days)	Days	222	170	139

On standalone basis, YMEL reported Profit After Tax (PAT) of Rs. 0.22 crore on an operating income of Rs. 531.02 crore for FY 2017 as compared to PAT of Rs. 0.34 crore on an operating income of Rs. 464.41 crore for FY 2016.

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

Any other information
None

Applicable Criteria

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Trading Entities - https://www.acuite.in/criteria-trading.htm
- Financial Ratios And Adjustments - https://www.acuite.in/criteria-fin-ratios.htm
- Consolidation Of Companies - https://www.acuite.in/view-rating-criteria-22.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. Crore)	Ratings/Outlook
Letter of credit	Not Applicable	Not Applicable	Not Applicable	78.00	ACUITE BB-/ Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BB-/ Stable (Assigned)

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