

Press Release

Narmada Solvex Private Limited

October 01, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 60.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) to the Rs. 60.00 crore bank facilities of Narmada Solvex Private Limited (NSPL). The outlook is '**Stable**'.

Ruhatiya Group comprising of Narmada Solvex Private Limited, Kaluram Food Products Private Limited, Ruhatiya Cotton & Metal Private Limited, Ruhatiya Spinners Private Limited, Ruhatiya Hospitals Private Limited, Kaluram Laminates Private Limited, Vidarbha Textile Mill Owners Association and Ruhatiya Agro Private Limited was established in 1995 by Mr. Shivprakash Ruhatiya, Mr. Ajayprakas Ruhatiya and Mr. Shriprakash K Agarwal. The group is engaged in agro based industries such as oil industry, textile industry, among others.

Narmada Solvex Private Limited (NSPL) was incorporated in 2008 and started commercial production in 2009 with registered office at Akola (Maharashtra). The company is engaged in manufacturing soyabean solvex and de-oiled cake which is exported to Asian countries.

Kaluram Food Products Private Limited (KFPPL) was incorporated in 2014 and started the commercial production in 2015 with registered office at Kirana Bazar in Akola. It is an ISO22000:2005 certified company, engaged in manufacturing of refined Soyabean oil, Lecithin, Fatty acid, Acid oil and other soya products. The company sells its products under its brand 'VITHAL'.

Analytical Approach

Acuité has considered consolidated business and financial risk profiles of Narmada Solvex Private Limited (NSPL) and Kaluram Food Products Private Limited (KFPPL), hereinafter referred as Ruhatiya Group (RG). The consolidation is mainly on account of similarity in the line of business, strong operational synergies and common management.

Key Rating Drivers:

Strengths

- Experienced management and established track record of operations**

The promoters of the group, Mr. Shivprakash Ruhatiya, Mr. Ajayprakas Ruhatiya and Mr. Shriprakash K Agarwal have experience of over two decades in various agro based industries. KFPPL has a track record of four years while NSPL has an established track record of over a decade in the oil field industry. The promoters' extensive industry experience through Ruhatiya Group has enabled the group to establish long term relations with customers and suppliers. Acuité believes that Ruhatiya Group will sustain its existing business profile on the back of established track record of operations and experienced management.

- Above average financial risk profile**

Ruhatiya Group has above average financial risk profile marked by tangible net worth of Rs.46.25 crore (Including Quasi equity of Rs.26.85 crore) as on 31 March, 2018 (Provisional) as against Rs.38.13 crore (Including Quasi equity of Rs.25.04 crore) as on 31 March, 2017. Gearing (debt-equity) stood at 1.79 times as on 31 March, 2018 (Provisional) as against 2.06 times as on 31

March, 2017. The debt of Rs.81.01 crore mainly comprises of term loan of Rs.5.15 crore and working capital borrowings of Rs.75.86 crore as on 31 March, 2018 (Provisional). Interest Coverage Ratio (ICR) stood at 1.80 times in FY2018 (Provisional) as against 1.57 times in FY2017. Debt Service Coverage Ratio (DSCR) stood at 1.52 times in FY2018 (Provisional) as against 1.30 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.62 times as on 31 March, 2018 (Provisional) which improved from 3.20 times as on 31 March, 2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.08 times as on 31 March, 2018 (Provisional) as against 0.05 times as on 31 March, 2017. Going forward, Acuité expects that the group will maintain its financial risk profile in the absence of any major debt funded capex plans.

• **Efficiently managed working capital**

The group has efficiently managed its working capital as reflected in Gross Current Assets (GCA) of 108 days in FY2018 (Provisional) compared to 110 days in FY2017. The GCA days are mainly dominated by inventory of 48 days in FY2018 (Provisional) compared to 26 days in FY2017. The debtor collection period improved to 38 days in FY2018 (Provisional) as against 79 days in FY2017. The average cash credit utilisation for the past six months stood at ~80 percent. Acuité believes that the ability to maintain its working capital efficiently will remain a key to maintain stable credit profile.

Weaknesses

• **Profitability is exposed to volatility in raw material prices and trading income**

Oilseed production in India is insufficient to meet the rising demand in India, thus, the gap between demand and supply is generally met through imports. Thus, the prices are determined by global forces of demand and supply which results in volatility in prices both at input level as well as at end product level. Moreover, government intervenes at regular intervals in the form of changes in duty structure to protect the interest of refiners and to narrow the gap between duties on crude oil and refined oil. Also, oilseed production is exposed to vagaries of nature. The Group's raw material cost accounts for ~93 percent in its cost of sales. Thus, its profitability is exposed to volatility in raw material prices. Further, the group derives ~ 15 percent of its revenues from trading activities which further reduces the profitability margins.

• **Competitive and fragmented industry**

The group operates in a highly competitive and fragmented edible oil industry and faces competition from established brands as well as unorganised players. This can impact the bargaining power of the company and affect margins.

Outlook: Stable

Acuité believes that Ruhatiya Group will maintain a 'Stable' business risk profile over the medium term. The group will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the group registers higher-than-expected growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the revenues or profit margins, or in case of deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	516.48	481.91	293.95
EBITDA	Rs. Cr.	16.45	13.20	7.82
PAT	Rs. Cr.	4.36	1.74	-0.01
EBITDA Margin	(%)	3.19	2.74	2.66
PAT Margin	(%)	0.84	0.36	0.00
ROCE	(%)	12.15	11.09	7.74
Total Debt/Tangible Net Worth	Times	1.75	1.90	2.13
PBDIT/Interest	Times	1.80	1.57	1.32

Total Debt/PBDIT	Times	4.92	5.49	7.98
Gross Current Assets (Days)	Days	108	110	127

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>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	60.00	ACUITE BBB- / Stable

* Sublimit of Letter of Credit upto Rs.5.00crore

* Sublimit of Rs. PC/PCFC/FDBP/FUDBP upto Rs. 15.00crore

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About Acuité Ratings & Research:

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