

Press Release

Narmada Solvex Private Limited

October 04, 2022

Rating Reaffirmed



| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|------------------------------------|------------------|-----------------------------------|-------------------|
| Bank Loan Ratings | 60.00 | ACUITE BBB- Stable Reaffirmed | - |
| Total Outstanding Quantum (Rs. Cr) | 60.00 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 0.00 | - | - |

Rating Rationale

Acuite has reaffirmed its long-term rating of **'ACUITE BBB-'** (read as **ACUITE triple B minus**) on the Rs.60.00 Cr. bank facilities of Narmada Solvex Private Limited (NSPL). The outlook is **'Stable'**.

Reason for rating reaffirmation

The rating reaffirmation takes into consideration the established position of the group in the soyabean oil segment and the existence of an established brand 'Vithhal'. It also takes into consideration the augmentation in the revenues along with improvement in the working capital management and adequate liquidity position of the group. However the ratings are constrained by the moderate financial risk profile of the group along with decline in the operating margins and susceptibility to the volatility in the raw material prices.

About Company

Narmada Solvex Private Limited (NSPL) was incorporated in 2008 by Mr. Shivprakash Ruhatiya and Mr. Shriprakash K Agarwal. The company is engaged in manufacturing soyabean solvex and de-oiled cake.

About the Group

Ruhatiya Group was founded in 1995 by Mr. Shivprakash Ruhatiya, Mr. Ajayprakas Ruhatiya and Mr. Shriprakash K Agarwal. There are 8 entities in the group named, 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. The group is engaged in agro based industries such as oil industry, textile industry, among others.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

The team has considered the consolidated business and financial risk profile of Ruhatiya group to arrive at the rating. The group consists of Kaluram Food Products Private Limited (KFPPL) and Narmada Solvex Private Limited (NSPL). The consolidation is done on the basis of financial linkages and common management among them.

Key Rating Drivers

Strengths

Established management and long track record of operations

Ruhatiya Group is promoted by Mr. Shivprakash Ruhatiya, Mr. Ajayprakash Ruhatiya and Mr. Shriprakash K Agarwal. The promoters have an experience of over two decades in the agrobased industries. The day to day operations of the company are managed by the promoter along with experienced senior management team who are ably supported by a strong line of mid-level managers. NSPL is engaged in the business of extraction of crude soya bean oil and soya bean de oiled cake and KFPPL is engaged in refining of soya bean oil, sunflower oil and groundnut oil. Further, the management of the group, over the years, has built a healthy relationship with major customers such as Adani Wilmar Limited, Godrej Agrovet Limited and Krishi Nutrition Company Private Limited among others. This has further helped them to improve the revenue by ~20 percent in FY22. The revenue of the group stood at Rs.791.70 crore in FY22(Prov) as against Rs.657.20 crores in FY21. The increase is majorly due to increase in price realization. The group has thin margins which is a trait of the edible oil industry.

Acuité believes that the group will continue to benefit through the promoters' extensive industry experience in the medium term.

Working capital efficient operations

The operations of the group are managed efficiently marked by low GCA days of 89 days for FY22(Prov) as against 122 days for FY21. The low GCA days is majorly on account of low inventory levels of 13 days for FY22(Prov) compared against 54 days for FY21. The inventory majorly consists of the soyabean oil, deoiled cakes and the other packing materials. The debtor days of the group improved and stood at 55 days in FY22(Prov) as against 62 days in FY21. The average credit period allowed to customers is around 60 days. The creditor days of the group stood at 22 days for FY22(Prov) as against 37 days for FY21. The average credit period available is around 8-15 days. The average utilization of the working capital limits of the group also remains moderate at ~54 percent in last six months ended August' 22 for KFPPL and ~67 percent in last six months ended August' 22 for NSPL.

Acuité believes that the working capital management of the company will continue to remain a key rating sensitivity going ahead.

Weaknesses

Moderate financial risk profile

The group has a moderate financial risk profile marked by tangible net worth of Rs.53.57 crore as on 31 March, 2022(Prov) as against Rs.57.95 crore as on 31 March, 2021. The gearing level of the group stood at 1.89 times as on 31 March, 2022(Prov) as against 1.78 times as on 31 March, 2021. The total debt outstanding of Rs.101.39 crore consists of working capital borrowings of Rs.84.75 crore, long term loan of Rs.6.70 crore as on 31 March, 2022(Prov) and unsecured loans of Rs.7.05 crores. The loans majorly consists of the GECL loan taken from HDFC Bank. The coverage ratios of the group remained moderate with Interest Coverage Ratio (ICR) of 2.86 times for FY22(Prov) against 2.11 times for FY21. Also, the Debt Service Coverage Ratio (DSCR) stood at 1.30 times for FY22 against 1.70 times for FY21. The total outside liabilities to tangible net worth (TOL/TNW) of the group stood at 2.88 times as on March 31, 2022(Prov)

against 3.06 times as on March 31, 2021. Acuité believes that the financial risk profile of the group will remain moderate in the near to medium term.

Susceptibility to fluctuations in raw material price

The group's operations are exposed to inherent risks associated with the agriculture-based commodity business, such as availability of raw materials, fluctuations in prices, and changes in government regulations. 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 group to pass on the same to its customers. The low margin nature of the industry, dependence on climatic factors for good harvest results in vulnerability of profitability in a volatile pricing scenario.

Rating Sensitivities

Significant improvement in scale of operations while sustaining its profitability margins and financial risk profile.

Deterioration in the working capital cycle leading to stress in the debt protection metrics or the liquidity position of the firm.

Withdrawal of quasi equity capital from the entity.

Material Covenants

None

Liquidity position: Adequate

The group has adequate liquidity position marked by adequate net cash accruals against its maturing debt obligations. The group generated cash accruals of Rs.9.31 crore in FY22(Prov) compared against maturing debt obligations of Rs.5.59 crore over the same period. The cash accruals of the group are estimated to remain around Rs.12.45-16.03 crore during 2023-25 period while its matured debt obligations is estimated to be in the range of Rs.1.45-2.00 crore during the same period. The company reliance on working capital borrowings is on moderate side marked by average utilization of working capital limits of ~54 percent in last six months ended August' 22 for KFPPL and ~67 percent in last six months ended August' 22 for NSPL. Furthermore, the group maintains unencumbered cash and bank balances of Rs.15.82 crore as on March 31, 2022 and the current ratio also stood moderate at 1.37 times as on March 31, 2022(Prov). Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate cash accruals against the maturing debt repayments over the medium term.

Outlook: Stable

Acuite believes that the group will maintain a 'stable' outlook in the medium term and will continue to benefit over the medium term due to its experience management. The outlook may be revised to 'Positive' if the company demonstrates substantial and sustained growth in its revenues and/or operating margins from the current levels while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative', if company generates lower-thananticipated cash accruals thereby impacting its financial risk profile, particularly its liquidity.

Other Factors affecting Rating

None

Key Financials

| Particulars | Unit | FY 22 (Provisional) | FY 21 (Actual) |
|--------------------|-------------|----------------------------|-----------------------|
| Operating Income | Rs. Cr. | 791.70 | 657.20 |
| PAT | Rs. Cr. | 7.18 | 6.81 |

| | | | |
|-------------------------------|-------|------|------|
| PAT Margin | (%) | 0.91 | 1.04 |
| Total Debt/Tangible Net Worth | Times | 1.89 | 1.78 |
| PBDIT/Interest | Times | 2.86 | 2.11 |

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

CRISIL vide its press release dated February 24, 2022 has reaffirmed the rating of Narmada Solvex Private Limited to 'CRISIL B' Issuer not cooperating.

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on Complexity Levels of the Rated Instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|-------------|--------------------------------|-----------|-----------------|-------------------------------------|
| 08 Jul 2021 | Cash Credit | Long Term | 60.00 | ACUITE BBB- Stable (Reaffirmed) |
| 30 Dec 2019 | Cash Credit | Long Term | 60.00 | ACUITE BBB- Negative (Reaffirmed) |
| 01 Oct 2018 | Cash Credit | Long Term | 60.00 | ACUITE BBB- Stable (Assigned) |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Quantum (Rs. Cr.) | Rating |
|---------------------|----------------|-------------|------------------|----------------|----------------|-------------------|-----------------------------------|
| Union Bank of India | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | 60.00 | ACUITE BBB- Stable Reaffirmed |

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About Acuité Ratings & Research

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