

Press Release

Yadav Solvex Private Limited

October 04, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 14.25 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 14.25 crore bank facilities of Yadav Solvex Private Limited. The outlook is '**Stable**'.

Yadav Solvex Private Limited (YSPL) was incorporated in 2003. The company was previously engaged in the business of running a solvex plant. The company changed its line of business to rice shelling in the year 2014-15. The company is has 4 directors, namely Mr. Bhagwan Singh, Mr. Rajesh Yadav, Mr. Daya Ram and Mr. Jai Pal involved in the day to day running of the business.

Key Rating Drivers

Strengths

- **Experienced Management**

YSPL is in the business of rice shelling since 2014-15. The promoters of the company have more than two decades of experience in the rice based agro business since they were also involved in the running of their sister concern company, Yadav Rice Mills. The strong network and past experience of the promoters has helped the company to establish good relationship with clients and suppliers.

- **Growth in revenue**

YSPL is growing at a compounded annual growth rate of 83 percent since 2016. The operating revenue has improved to Rs.49.55 crore in FY2018 as compared to Rs.43.28 crore in FY2017 and Rs.8.06 crore in FY2016. The PAT margins have improved from 0.71 percent in FY2017 to 0.73 percent in FY2018. The improvement is on account of selling to exporters in large quantities.

Weaknesses

- **Moderate financial risk profile**

YSPL's financial risk profile is marked by its low net worth, moderate gearing and moderate debt protection metrics. The net worth increased to Rs. 5.34 crore as on 31 March, 2018 as against Rs. 5.04 crore in the previous year. The firm's gearing is estimated to be moderate at 3.61 times as on 31 March, 2018 as against 2.99 times in the previous year. The total debt of Rs.19.29 crore consists of long term debt of Rs.3.83 crore, Rs.13.99 crore of short term debt obligations and Rs. 0.32 crore of unsecured loans from promoters and directors. The interest coverage ratio stood at 1.97 times in FY18 as against 2.07 times in the previous year. DSCR stood at 1.97 times in FY2018 as against 2.07 times in the previous year. NCA/TD ratio stood 0.09 times in FY18. Acuité believes that the financial risk profile will continue to remain average on account of below average debt protection metrics.

- **Working capital intensive operations**

The working capital management is marked by Gross Current Assets (GCA) of 230 days in FY2018 as against 131 days in FY2017. The inventory and debtor levels stood at 233 days and 12 days in FY2018 as against 131 days and 31 days in FY2017, respectively. As a result, the average utilisation of bank limits stood high at ~90 percent in the last six months. Acuité believes that the working capital requirements will continue to remain high over the medium term on account of its high inventory requirements to cater to orders.

• **Intense competition and cyclical industry**

YSPL is exposed to intense competition from large number of organised and unorganised players along with its exposure to inherent cyclical nature of the agricultural industry. Also, prices of agro commodity like basmati rice are volatile in nature. Any adverse movement of the prices is likely to impact the profitability metrics.

Analytical Approach

Acuité has considered standalone business and financial risk profile of YSPL to arrive at the rating.

Outlook: Stable

Acuité believes that YSPL will maintain a 'Stable' outlook over the medium term from the industry experience of its promoters. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in YSPL's operating income or profitability, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of capital structure and debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	49.55	43.28	8.06
EBITDA	Rs. Cr.	3.54	3.69	1.38
PAT	Rs. Cr.	0.36	0.31	0.08
EBITDA Margin	(%)	7.15	8.52	17.15
PAT Margin	(%)	0.73	0.71	1.04
ROCE	(%)	9.66	11.15	8.17
Total Debt/Tangible Net Worth	Times	3.61	2.99	2.79
PBDIT/Interest	Times	1.97	2.07	2.23
Total Debt/PBDIT	Times	5.44	3.99	9.09
Gross Current Assets (Days)	Days	230	131	654

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

CRISIL, vide its press release dated February 02, 2018 had denoted the rating of Yadav Solvex Private Limited as 'CRISIL B/ Stable ; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

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>
- 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	6.00	ACUITE B+ / Stable

Term loans	Not Applicable	Not Applicable	Not Applicable	4.41	ACUITE B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.04	ACUITE A4
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.80	ACUITE B+ / Stable

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-67141111 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Viren Rangparia Analyst - Rating Operations Tel: 022-67141363 viren.rangparia@acuiteratings.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.