

Press Release

Maxibio Oleos Private Limited

May 28, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) to the Rs.6.00 crore bank facilities of Maxibio Oleos Private Limited (MOPL). The outlook is '**Stable**'.

Incorporated in 2017, Maxibio Oleos Private Limited (MOPL) is promoted by Mr. Thirupathy Balakrishnan Akkampatty Sadayandi Perumalsamy and family; MOPL is engaged in processing of coconut oil from its Unit in Vadamadurai in Dindigul district (Tamil Nadu). MOPL has refining capacity of 6000 Tonnes per annum (TPA). Commercial operations began from June 2018.

Analytical Approach

For arriving at the ratings, Acuite has considered the standalone business and financial risk profile of Maxibio Oleos Private Limited.

Key Rating Drivers

Strengths

Experienced management

The promoters, Mr. Thirupathy Balakrishnan Akkampatty Sadayandi Perumalsamy, Mr. Balakrishnan Raj Ashwin Karthi and Mr. Veeramalai Manivel have entrepreneurial experience for over two decades in solvent extraction business in other firm name. Basis the experience, the promoters entered into coconut oil refining business by investing about Rs.6.70 crores; it was funded out of term loans of Rs.4.12 crores and rest from promoters equity. The promoter's presence in rice bran oil business and the network has supported in building the revenues in its first year of operations of FY2019 (Provisional). It has reported revenues of Rs.44.75 crores in FY2019 (Provisional) for 7 months of operations. Acuite believes that promoters' entrepreneurial experience, market demand is expected to support in improvement of its business risk profile over the medium term.

Efficient working capital management

MOPL's working capital operations are efficiently managed as evident from Gross Current Assets (GCA) of 54 days FY2019 (Provisional), due to prudent inventory management, and the receivables are supported by its clientele. Moderate inventory cycle led to high utilisation of its discounting limits of over 80 percent. Acuite believes that MOPL's operations continue to be efficiently managed supported by efficient collection mechanism and in time inventory.

Weaknesses

Below Average financial profile:

The MOPL's financial risk profile is marked by high gearing (debt-to-equity), high total outside liabilities to total net worth (TOL/TNW) and comfortable debt protection metrics. Its net worth is modest at about Rs.1.78 crore (Provisional) as of March 31, 2019, which is low on account of modest accretion to reserves due to nascent stage of operations. The gearing and TOL/TNW are high at 5.86 and 6.61 times as of March 31, 2019 (Provisional). The debt protection metrics of interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) are comfortable at 3.93 times and 0.12 times respectively for FY2019(Provisional). Acuite believes that the financial risk profile is expected to be at similar levels over the medium term, due to modest scale of operations and low cash accruals vis-à-vis its repayment obligations and working capital requirement.

Modest and Nascent stage of operations in intensely competitive industry

The scale of operations is modest and the scale is likely to remain constrained as the coconut oil industry is highly fragmented, with competition from several organized as well as unorganized players. Also, MOPL is into refining business and sells in wholesale market in bulk, rather in packed and branded form. However, MOPL due to the promoters presence, it has reported modest revenues of Rs.44.75 Crs in FY2019.

Liquidity Position

MOPL has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. MOPL generated moderate cash accruals of Rs.1.25 crores in FY 2019 (provisional), while its maturing debt obligations were in the range of Crs.0.70 crores over the same period. The cash accruals of the MOPL are expected in the range of Rs.1.90-2.70 crores over the medium term, against which its repayment obligations are around Rs.0.75 crores. Bank lines are utilized at an average of 80% over the 6 months through March 2019 owing to moderate working capital management with GCA of about 54 days for FY2019. The current ratio of MOPL is 0.95 times as on March 31, 2019 (Provisional). Acuite believes that liquidity of MOPL is likely to remain Moderate basis moderate accruals and efficient working capital management.

Outlook: Stable

Acuite believes that the outlook on MOPL will remain 'Stable' over the medium term on account of promoters' extensive experience. The outlook may be revised to 'Positive' in case of significant improvement in its revenues while sustaining the profitability and improving its capital structure. The outlook may be revised to 'Negative' in case of any stretch in its working capital intensive operations leading to deterioration of its financial structure and liquidity.

About the Rated Entity - Key Financials

Particulars	Unit	FY19 (Provisional)
Operating Income	Rs. Cr.	44.75
EBITDA	Rs. Cr.	2.55
PAT	Rs. Cr.	1.90
EBITDA Margin	(%)	5.71
PAT Margin	(%)	4.25
ROCE	(%)	39.72
Total Debt/Tangible Net Worth	Times	4.35
PBDIT/Interest	Times	3.93
Total Debt/PBDIT	Times	4.09
Gross Current Assets (Days)	Days	59

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>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Services Sector Entities - <https://www.acuite.in/view-rating-criteria-8.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	5.00	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B+ / Stable

Contacts

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About Acuité Ratings & Research:

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