

Press Release

Modi Solvex

August 13, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.25 Cr.
Long Term Rating	ACUITE B+/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE B+**' (read as **ACUITE B plus**) to Rs.10.25 crore bank facilities of MODI SOLVEX. The outlook is '**Stable**'.

Modi Solvex (MS), a Punjab-based partnership firm was established in 2001. Currently, the firm is managed by Mr. Anubhav Kumar Modi, Mr. Ashish Modi, Mr. Narinder Kumar Modi, Mr. Sahil Modi and Mr. Vijay Kumar Modi. It is engaged in extraction of crude rice bran oil from rice husk. The procurement of the key raw materials, i.e. rice husk is done locally and it's sold primarily in Punjab and the adjoining states.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of MS to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operation**

MS is engaged in extraction of crude rice bran oil from rice husk since 2001, establishing long track record of operations in the same line of business. The firm is managed by Mr. Anubhav Kumar Modi, Mr. Ashish Modi, Mr. Narinder Kumar Modi, Mr. Sahil Modi and Mr. Vijay Kumar Modi having experience of almost two decades in the business. Acuité believes that MS will continue to benefit from its established position in the market and experienced management.

Weaknesses

- **Below average financial risk profile**

The company has weak financial risk profile, marked by its high gearing, modest net worth and debt protection measures. The net worth stood low at Rs 5.40 crore in FY2019 (P), as compared to Rs.4.58 crore in FY2018, the increase in net worth is due to accretion of reserves. The debt-equity ratio stood high at 3.35 times in FY2019 (P) decreased from 4.03 times in FY2018. The TOL/TNW stood at 4.13 times in FY2019 (P) compared to 4.89 times in FY2018. The total debt of Rs.18.11 crore consists of short term debt of Rs.10.24 crore, long term debt of Rs.4.30 crore, current portion of long term debt of Rs. 0.95 crore and unsecured loan of Rs.2.61 crore. The Interest coverage ratio and debt service coverage ratio stood low at 1.14 times and 0.80 times in FY2019(P) as against at 1.22 times and 1.14 times in FY2018 respectively. The NCA/TD stood at 0.02 times in FY2019 (P).

- **Working capital intensive business**

The company has working capital intensive nature of operation marked by high GCA days of 182 in FY2019 (P) compared to 241 days in FY2018. This is mainly on account of high inventory days of 126 in FY2019(P) compared to 116 days in FY2018, mainly because of seasonal availability of raw material i.e. rice bran. The debtor days stood high at 51 days in FY2019 (P) compared to 105 days in FY2018, which is due to high credit period given to the customers such as cattle feed industry.

• Capital withdrawal risk

MS is exposed to risk of capital withdrawal considering its partnership constitution. There have been instances during the period under study.

Liquidity Position

MS has stretched liquidity marked by modest net cash accruals as compared to its maturing debt obligations. MS generated cash accruals of Rs.0.48-0.31 crore during the last three years through 2017- 19(P), while the maturing debt obligations were in the range of Rs.0.15-1.00 crore over the same period. MS maintains cash and bank balances of Rs.0.03 crore as on March 31, 2019 (P). The bank limit utilisation stood at 90 per cent utilised during the last six months ended on July 2019. The current ratio stood moderate at 1.62 times as on March 31, 2019 (P). Acuite believes that the liquidity of MS is likely to remain stretched over the medium term.

Outlook: Stable

Acuite believes that MS will maintain a 'Stable' outlook in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case of improvement in working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	50.29	36.95	49.35
EBITDA	Rs. Cr.	2.50	2.43	2.15
PAT	Rs. Cr.	0.31	0.27	0.20
EBITDA Margin	(%)	4.97	6.56	4.35
PAT Margin	(%)	0.61	0.73	0.40
ROCE	(%)	10.84	10.52	9.03
Total Debt/Tangible Net Worth	Times	3.35	4.03	4.05
PBDIT/Interest	Times	1.14	1.22	1.34
Total Debt/PBDIT	Times	7.17	6.99	8.66
Gross Current Assets (Days)	Days	182	241	166

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-4.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	10.25	ACUITE B+/ Stable

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About Acuité Ratings & Research:

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