

Press Release

Stoney Vinimay Private Limited

March 08, 2023

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	6.00	ACUITE BBB- Negative Assigned	-
Bank Loan Ratings	9.00	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	15.00	-	-

Rating Rationale

Acuite has assigned the long-term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and a short-term rating to '**ACUITE A3**' (read as **ACUITE A three**) on Rs.15.00Cr. of bank facilities of Stoney Vinimay Private Limited (SVPL). The outlook is '**Negative**'.

Rating Rationale

The rating assigned takes into account its experienced promoters, comfortable financial risk profile of the group during FY2022. The rating also factors the moderate working capital management marked by comfortable gross current asset (GCA) days during FY2022. These strengths are partially constrained by the low profitability margin and exposure to geographic concentration and commodity product risk.

About Company

West Bengal- based, Stoney Vinimay Private Limited was incorporated in 2011. The company is engaged in the business of trading of Rice Bran Oil and Non- Basmati Rice. The present directors of the firm are Mr. Prodipto Majumder and Mr. Pawan Shaw.

About the Group

West Bengal based - Soubhik Exports Limited was incorporated in 1996. It is involved in wholesale trading of agricultural goods such as cotton, wheat, maize, sugar, chick seeds among others to Bangladesh. The company is also involved in manufacturing of rice bran oil from 2015 onwards with an installed capacity of 250 MTPD. Currently the company is managed by Mr. Prodipto Majumder, Mr. Pawan Shaw, and Mr. Suresh Halder.

West Bengal- based, Remo Exports Enterprise was incorporated in 1996 as a proprietorship concern. The company is engaged in the business of trading of agricultural goods such as cotton, wheat, maize, sugar, chick seeds among others to Bangladesh. The proprietor of the firm is Mr. Prodipto Majumder.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

For arriving at this rating, Acuité has consolidated the business and financial risk profile Soubhik Export Limited, Stoney Vinimay Private Limited and Remo Exports Enterprise referred as 'Soubhik Group' as the group has common management, same line of operation, financial linkages in terms of corporate guarantee and operational linkages in terms of intercompany sales and purchases. Soubhik Exports Ltd has given a corporate guarantee for the bank limits availed by Stoney Vinimay Pvt Ltd and Remo Export Enterprise and Stoney Vinimay Pvt Ltd is holding ~8% stake in Soubhik Export Limited. Hence, Acuité has consolidated the business and financial risk profiles of Soubhik Export Limited, Stoney Vinimay Pvt. Ltd. and Remo Exports Enterprise together referred to as 'Soubhik Group'.

Key Rating Drivers

Strengths

Experienced management and long track record of operation

The flagship company of the group, Soubhik Exports Limited was established in 1966 by Mr. Prodipto Majumder and engaged in export of agricultural products such as rice, wheat, maize, pulses, chickpeas and cotton mainly to Bangladesh. In 2015, the company has installed rice bran oil mill in West Bengal. During 1996 the group has started trading business in Remo Exports Enterprise and in 2011 they started trading of commodities in Stoney Vinimay Pvt Ltd. Currently the group is managed by Mr. Prodipto Majumder, who has experience of more than six decades in the agricultural trading business along with his son Mr. Soumyadeep Majumder, who also has more than two decades of experience in similar industry. Acuité derives comfort from the long experience of the promoter will continue to support the business going forward.

Comfortable working capital management

The working capital management of the company is marked by comfortable gross current assets (GCA) days of 44 days in FY2022 as compared to 120 days in FY2020. This significant improvement in GCA day is mainly on account of decrease in debtor days during FY2022 to 17 days from 66 days in the previous year. Further, the improvement in GCA days are also emanates from the improving inventory holding period to 16 days in FY2022 as compared to 41 days in the previous year. This improvement in inventory is on account of decrease in trading material during the year end. Acuité believes that the ability of the company to manage its working capital operations efficiently will remain a key rating sensitivity.

Comfortable financial risk profile

The financial risk profile of the group is marked by modest net worth, moderate gearing and healthy debt protection metrics. The net worth of the company stood comfortable at Rs.73.63 crore in FY 2022 as compared to Rs. 62.57 crore in FY2021. This improvement in networth is mainly due to the retention of profit for FY2022. Acuité has also considered unsecured loan of Rs.22.40 crore as quasi equity, as the same amount is subordinated with bank debt. The gearing of the company stood moderate at 1.22 times as on March 31, 2022 when compared to 1.91 times as on March 31, 2021. This improvement in overall gearing is on account of decrease in short term borrowings during 31st March 2022. The total outside liability to tangible networth (TOL/TNW) stood high at 3.27 times in FY2022 as compared to 3.47 times in the previous year. Interest coverage ratio (ICR) is healthy and stood 3.27 times in FY2022 as against 3.05 times in FY 2021. The debt service coverage ratio (DSCR) of the company also stood comfortable at 2.87 times in FY2022 as compared to 2.82 times in the previous year. The net cash accruals to total debt (NCA/TD) stood comfortable at 0.17 times in FY2022 and in

0.06 times the previous year. Going forward, Acuité believes that the financial risk profile of the firm is expected to remain comfortable backed by average net cash accruals and in absence of any major debt funded capex in near to medium term.

Weaknesses

Low profitability margin

The operating profitability margin of the company stood low at 1.38 per cent in FY2022 as compared to 1.66 per cent in FY2021. This deterioration in operating profitability margin is on account of increase in trading sales during the period, which contributes lower profitability as compared to the manufacturing sales. Further, the operating profitability margin of the company also stood low at 1.04 per cent till 31st Jan 2023 (Prov.).

The net profitability margin of the company has increased and stood low at 0.64 per cent in FY2022 as compared to 0.47 per cent in the previous year.

Going forward, Acuité believes that the profitability margin of the company will be at the moderate level based on trading nature of business.

Exposure to geographic concentration and commodity product risk

Group exports agricultural goods only to Bangladesh. Customers place orders based on demand-supply conditions in Bangladesh. Prices of commodities such as cotton, sugar and rice are significantly affected by climatic conditions and the demand-supply scenario. Revenue of group is susceptible to fluctuations in commodity prices in a particular season, monsoons, crop yield and global demand-supply conditions.

Rating Sensitivities

- Scaling up of operations while improving their profitability
- Further elongation in working capital management

Material Covenants

None

Liquidity Position

Stretched

The group has stretched liquidity marked by ~95 percent utilization of bank limit for the last six months ended January 2023. The current ratio of the group stood low at 1.10 times as on 31st March 2022. The group has comfortable net cash accruals of Rs.15.10 crore as against nil long term debt obligations in FY2022. The cash accruals of the company are estimated to remain in the range of around Rs. 5.51 crore to Rs. 7.29 crore during 2023-24 as against Rs.1.00 crore long term debt obligation in FY2023 and in FY2024 respectively. The moderate working capital management of the group is marked by comfortable Gross Current Asset (GCA) days of 44 days as on 31st March 2022. Acuité believes that the liquidity of the company is likely to remain stretched over the medium term on account high reliance on external borrowings along with of moderate cash accruals against long debt repayments over the medium term.

Outlook: Negative

Acuité has revised the outlook of Soubhik Group to 'Negative' on account of decline in business risk profile and stretched liquidity position. The rating may be 'downgraded' if there is higher than expected decline in its revenues or profitability or further deterioration in working capital management. The outlook may be revised to 'Stable' if the company is able to show significant improvement revenue and in profitability margins and further improvement in financial risk profile.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	1844.68	656.86
PAT	Rs. Cr.	11.75	3.07
PAT Margin	(%)	0.64	0.47
Total Debt/Tangible Net Worth	Times	1.22	1.91
PBDIT/Interest	Times	3.27	3.05

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

None

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>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not Applicable	FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE A3 Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE BBB- Negative Assigned

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About Acuité Ratings & Research

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