

Press Release

Manishankar Oils Private Limited

November 30, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 6.60 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (read as ACUITE double B minus) to the Rs. 6.60 crore bank facilities of Manishankar Oils Private Limited (MOPL). The outlook is '**Stable**'.

MOPL was incorporated in 1998 by Mr. Manoj Murarka in Chomu (Rajasthan). MOPL is engaged in processing of edible oil such as Mustard oil, Castor oil, Sunflower oil, Soyabean oil and Groundnut oil, among others.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

MOPL was incorporated in the year 1998 by Mr. Manoj Murarka. Mr. Devendra Murarka later joined his brother in the business. Both, Mr. Manoj Murarka and Mr. Devendra Murarka, possess experience of more than two decades in the edible oils business. Acuité believes that MOPL will continue to benefit from established track record of operations and experienced management.

- **Comfortable working capital operations**

MOPL has comfortable working capital cycle marked by Gross Current Asset (GCA) of 65 days in FY2018 (Provisional) as compared to 73 days in FY2017. The inventory holding period stood at 21 days in FY2018 (Provisional) as compared to 25 days in FY2017. The receivables period stood at 19 days in FY2018 (Provisional) as against 13 days in FY2017. MOPL does not get any credit period from its suppliers. However, the average cash credit utilisation for the past six months stood at ~90 percent.

- **Moderate financial risk profile**

The tangible net worth of MOPL stood low at Rs.3.46 crore as on 31 March, 2018 (Provisional), which consists of unsecured loan of Rs.1.30 crore treated as quasi equity, as compared to Rs.3.01 crore as on 31 March, 2017. The total debt of Rs.1.85 crore outstanding as on 31 March, 2018 (Provisional) consists of unsecured loans from directors of Rs.0.19 crore and working capital borrowing from the bank of Rs.1.66 crore. The gearing stood healthy at 0.54 times as on 31 March, 2018 (Provisional) as compared to 1.13 times as on 31 March, 2017. Interest Coverage Ratio (ICR) also stood healthy at 3.00 times in FY2018 (Provisional) as against 2.56 times in FY2017. DSCR has slightly increased to 2.44 times in FY2018 (Provisional) as compared to 2.16 times in FY2017. The net cash accruals have also increased to Rs.0.52 crore in FY2018 (Provisional) as compared to Rs.0.32 crore in FY2017. NCA/TD ratio stood at 0.28 times in FY2018 (Provisional) as compared to 0.09 times in FY2017.

Weaknesses

- **Declining revenue trend**

MOPL recorded revenue of Rs.31.68 crore in FY2018 (Provisional) as compared to Rs.35.17 crore in FY2017 and Rs.37.65 crore in FY2016. The decline in revenue is attributed to slowdown in operations due to modification of processes and addition of new products in the company offerings and agro-commodity price fluctuations. However, MOPL has recorded revenue of Rs.16.00 crore till 30 September, 2018 and has orders in hand of Rs.4.00 crore to be catered by November 2018, which gives visibility of revenue in the medium term.

- **Margins susceptible to raw material price fluctuations**

Mustard seeds and oilseeds such as groundnut, sunflower and cotton are the main raw materials for MOPL. The availability and pricing of the same depends upon various factors such as monsoon during the year, area under cultivation, demand-domestically and internationally along with various other factors. Hence, the profitability margins of MOPL are susceptible to fluctuation in raw material prices.

Outlook: Stable

Acuité believes that MOPL will maintain a 'Stable' business risk profile on account of experienced management. The outlook may be revised to 'Positive' in case MOPL registers sustained growth in scale of operations while achieving healthy profit margins and comfortable liquidity position. The outlook may be revised to 'Negative' in case of decline in the revenue or profitability or deterioration in the MOPL's financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	31.68	35.17	37.65
EBITDA	Rs. Cr.	1.08	0.67	0.70
PAT	Rs. Cr.	0.45	0.25	0.20
EBITDA Margin	(%)	3.40	1.91	1.87
PAT Margin	(%)	1.42	0.71	0.53
ROCE	(%)	17.23	13.89	47.83
Total Debt/Tangible Net Worth	Times	0.54	1.13	0.03
PBDIT/Interest	Times	3.00	2.56	2.08
Total Debt/PBDIT	Times	1.72	4.88	0.12
Gross Current Assets (Days)	Days	65	73	69

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.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	6.60	ACUITE BB- / Stable

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About Acuité Ratings & Research:

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