

Press Release

Manishankar Oils Private Limited

January 17, 2020

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs.6.60 crore bank facilities of MANISHANKAR OILS PRIVATE LIMITED. The outlook is '**Stable**'.

Rajasthan based Manishankar Oils Private Limited (MOPL) was incorporated in 1998 by Mr. Manoj Murarka. Company is engaged in the processing of edible oil such as mustard oil, Caster oil, Sunflower oil, Soyabean oil and Groundnut oil to name a few.

Analytical Approach

Acuite has considered standalone business and financial risk profile of Manishankar Oils Private Limited (MOPL) to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced management and established track record of Operations

Promoters of MOPL, Mr. Manoj Murarka and Mr. Devendra Murarka have extensive experience in the edible oils business which has enabled the company to register revenue growth of 33.09 per cent in FY2019 over FY2018. Further having more than two decades of operational track record has enabled the company to maintain strong relations with its customers and suppliers.

Acuite believes that MOPL will continue to benefit from established track record of operations and its experienced management.

• Efficient working capital operations

Operations of MOPL are working capital efficient marked by Gross Current Assets (GCA) of 64 days in FY2019 as against 67 days in the previous year. This is on account of inventory holding period of 21 days in FY2019 as against 20 days in FY2018 and debtors' collection period of 18 days in FY2019 as against 18 days in the previous year. Payments to suppliers are been made in 2-3 days. Further, company has moderate current ratio of 1.90 times in FY2019 as against 2.33 times in FY2018.

Acuite believes that the operations of the company will remain efficient in the near future on account of low inventory holding period.

Weaknesses

• Margins susceptible to raw material price fluctuations

Raw Material for MOPL, Mustard seeds and oilseeds such as groundnut, sunflower and cotton are the main raw materials for the company. 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.

• Average financial risk profile

MOPL has average financial risk profile marked by average net worth, average debt protection metrics and high gearing. The net worth of the company stood at Rs.2.55 crore as on 31 March, 2019 as against Rs.2.17 crore as on 31 March, 2018. The gearing level (debt-equity) of the company stood at 1.98 times as on 31 March, 2019 as against 1.46 times as on 31 March, 2018. The total debt of Rs.5.04 crore as on 31 March, 2019 consist of long term debt of Rs.0.28 crore, working capital borrowings of Rs.3.07 crore and unsecured loans of Rs.1.69 crore. Debt to EBITDA stood high at 3.03 times in FY2019 as against 3.08 times in

FY2018. Increase in finance cost has led to deterioration of coverage metrics marked by Interest coverage ratio (ICR), which stood at 1.60 times in FY2019 as against 2.84 times in FY2018. TOL/TNW (Total outside liabilities- total net worth) stood at 2.26 times in FY2019 as against 1.84 times in FY2018.

Key rating Sensitivity Factors

- Improvement in operating levels and profitability
- Deterioration of working capital.

Material Covenants

Not Applicable

Liquidity Profile: Adequate

MOPL has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. It generated cash accruals of Rs.0.48 crore in FY2019 against Rs.0.01 crore of debt obligations for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.0.47 crore to Rs.0.53 crore during FY2020-22 against repayment obligations ranging from Rs.0.05 crore to Rs.0.07 crore for the same period. The company's working capital operations are efficient marked by gross current asset (GCA) days of 64 days in FY2019. Company maintains unencumbered cash and bank balances of Rs.0.07 crore as on 31 March 2019. The current ratio stands at 1.90 times as on 31 March 2019.

Outlook: Stable

Acuite 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	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	42.16	31.68
PAT	Rs. Cr.	0.39	0.44
PAT Margin	(%)	0.92	1.39
Total Debt/Tangible NetWorth	Times	1.98	1.46
PBDIT/Interest	Times	1.60	2.84

Status of non-cooperation with previous CRA:

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Application of Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
30-Nov-18	Cash Credit	Long Term	6.60	ACUITE BB-/Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.60	ACUITE BB- / Stable (Reaffirmed)

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About Acuité Ratings & Research:

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