

Press Release

Manishankar Oils Private Limited

June 19, 2021



Rating Reaffirmed

| | |
|-------------------------------------|--|
| Total Bank Facilities Rated* | Rs.10.00 crore (Enhanced from 7.50 Cr.) |
| Long Term Rating | ACUITE BB/ Stable (Upgraded from ACUITE BB-/Stable) |

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long term rating to '**ACUITE BB**' (**read as ACUITE Double B**) from '**ACUITE BB-**' (**read as ACUITE Double BB minus**) on the Rs 10.00 Cr. bank facilities of **Manishankar Oils Private Ltd (MOPL)**. The outlook is 'Stable'.

The rating upgrade reflects a substantial improvement in the overall business risk profile of the company. The improvement in the business risk profile is visible from their increased scale of operation in FY2021 as compared to the preceding years due to increase in volumes and better realisations along with addition to customer profile. The scale of operation is expected to sustain in FY2022 as company posted revenue of Rs 45 Cr in April 2021 and May 2021.

About the company

Manishankar Oils Private Limited (MOPL) was incorporated in the year 1998 by Mr. Manoj Murarka in Chomu, Rajasthan. MOPL is engaged in manufacturing of edible oils such as Castor oil, Sunflower oil, Soyabean oil, Groundnut oil etc

Analytical Approach:

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

Key Rating Drivers

Strengths

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

Manishankar Oils Private Limited (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 have more than two decades of experience in the edible oil industry. Acuité believes that MOPL will continue to benefit from established track record of operations and experience of management.

- **Substantial growth in revenues**

MOPL recorded revenue of Rs.160.12 crore in FY2021 (Provisional) as compared to Rs. 72.09 crore in FY2020 and Rs.42.16 crore in FY2019. The increase in revenue is attributed to higher volumes sold along with better realisations, the company has also added new customers to its profile in FY2021. MOPL has recorded revenue of Rs.45.00 crore till May 31, 2021 and has orders in hand of Rs. 60.00 crore, which gives visibility of revenue in the medium term.

- **Comfortable working capital operations**

MOPL has comfortable working capital cycle marked by Gross Current Asset (GCA) of 36 days in FY2021 (Provisional) as compared to 47 days in FY2020. The inventory holding period stands at 13 days in FY2021 (Provisional) as compared to 18 days in FY2020. The receivables period stood at 19 days in FY2021 (Provisional) as against 17 days in FY2020. The average bank limit utilization remains 75.65% for last six months ending March 2021.

Weaknesses

- **Moderate capital structure**

The capital structure of MOPL is moderate marked by tangible net worth of Rs.6.22 crore as on March 31, 2021 (Provisional), which consists of unsecured loans of Rs. 2.35 crore treated as quasi equity. The total debt of Rs.7.20 crore outstanding as on March 31, 2021 (Provisional) consists of vehicle loans of Rs.1.51 crore and working capital borrowing from the bank of Rs. 5.69 crore. The gearing improved and stood moderate at 1.16 times as on March 31, 2021 (Provisional) as compared to 2.17 times as on March 31, 2020. The capital structure is likely to remain moderate over the medium term.

- **Margins susceptible to raw material price fluctuations and intense competition**

Mustard seeds and oilseeds like groundnut, sunflower, etc. 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. Also, prices of edible oils are directly related to the prices of crude palm oil (CPO), which remain volatile. Moreover, the company also faces intense competition from unorganized players, further constraining the pricing of the products. Susceptibility to these factors results in volatility of margins.

Rating Sensitivities

- Improving scale of operations while maintaining profitability.
- Maintenance of adequate liquidity.

Material Covenants

None

Liquidity Position: Adequate

The company has an adequate liquidity position as working capital utilization during 12 months ended March 31, 2021 stood at around 80 percent. Company's net cash accrual stood at Rs 1.12 Cr in FY21 (Provisional) as against debt repayment obligation of Rs.0.10 Cr. Going forward, the net cash accruals are expected to be in the range of Rs 1.80-2.22 Cr as against repayment obligations of around Rs.0.12-0.17 Cr from FY22-FY24. The company's GCA days stood comfortable at 36 days in FY2021 (Provisional) as against 47 days in FY2020. Current ratio stood at 1.77 times in FY2021 (Provisional) as against 1.82 times in FY2020. Acuite believes liquidity profile is expected to remain adequate in medium term backed by adequate expected accruals and cushion available in bank limits utilisation.

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 | FY20 (Actual) | FY19 (Actual) |
|-------------------------------|---------|---------------|---------------|
| Operating Income | Rs. Cr. | 72.09 | 42.16 |
| PAT | Rs. Cr. | 0.38 | 0.39 |
| PAT Margin | (%) | 0.52 | 0.92 |
| Total Debt/Tangible Net Worth | Times | 2.17 | 1.98 |
| PBDIT/Interest | Times | 1.79 | 1.60 |

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

Not Applicable

Any other information

None.

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|-----------|------------------|--------------------------------|
| 12-Mar-2020 | Cash Credit | Long Term | 7.50 | ACUITE BB-/Stable (Reaffirmed) |
| 17-Jan-2021 | Cash Credit | Long Term | 6.60 | ACUITE BB-/Stable (Reaffirmed) |
| 30-Nov-2018 | 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. Cr.) | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-----------------------------|-----------------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 10.00 | ACUITE BB/Stable (Upgraded) |

Contacts

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About Acuité Ratings & Research:

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