Press Release

RV Wines LLP (RV)

March 17, 2020

Rating

Instrument/Facility	Amount (Rs. Crore)	Ratings Assigned	Rating Action
Long Term/Short Term Non-Fund Based Facilities	45.00*	IVR BB+/ Stable Outlook/IVR A4+ (IVR Double B Plus with Stable Outlook/ IVR A Four Plus)	Rating upgraded from IVR BB/ Stable Outlook/IVR A4 (IVR Double B with Stable Outlook/ IVR A Four)
Total	**45.00**		

*enhanced from Rs.30.00 crore and includes Rs.1 crore sublimit of proposed interchangeable CC limit

Details of Facilities are in Annexure I

Detailed Rationale

The revision in the rating assigned to the bank facilities of RV Wines LLP (RV) factors in its satisfactory performance in FY19, which is its first full year of operation, and subsequent growth in 9MFY20. Further, the rating continues to derive comfort from experience of the promoters, established relationship with suppliers and customers, order backed nature of business and steady demand prospects of edible oil industry. The rating also positively factor in conservative capital structure of the company. However, the rating is constrained by its small scale of operation, thin profitability due to its trading nature of operations, exposure to risk of foreign exchange fluctuation, presence in highly fragmented industry and exposure to volatility in international edible oil prices.

Key Rating Sensitivities

Upward Rating Factors

- Growth in scale of operations and improvement in profit margin leading to improvement in cash accruals and liquidity

Downward Rating Factors

- Decline in revenue and/or profitability on a sustained basis affecting the liquidity position

- Moderation in the capital structure or a decline in interest coverage to lower than 1.00 times on a sustained basis

Detailed Description of the Key Rating Drivers

Key Rating Strengths

Experienced promoters

The promoters of the entity, Mr. Vikas Gupta & Ms. Shikha Gupta have an experience of about 10 years in the edible oil trading industry. The promoters are assisted in the day-to-day operation by a team of professionals having relevant industry experience.

Established Relationship with suppliers and customers

The promoters are engaged in trading of edible oils for about 10 years. It has developed relations with it customer and supplier base, which is expected to benefit RV. Further, the other entities owned by the promoters, Vindeshwari Exim Pvt Ltd (VEPL) credit rating (IVR BB+/ Positive Outlook, IVR A4+), Smartha Enterprises Pvt Ltd (SEPL) credit rating (IVR BB+/ Positive outlook, IVR A4+) and Avyukta Agro Impex Pvt Ltd (IVR BB+/Stable outlook, IVR A4+) and Anita Oils and Fats Pvt Ltd (IVR BB/Stable, IVR A4) are also engaged in this line of business. The overall turnover of all the companies is Rs.324 crore in FY19. Presence of many companies in the same field provides synergy benefits.

Order Backed nature of business

The entity generally engaged in trading based on back-to-back orders from their customers and suppliers. The price is fixed before the shipment takes place.

Conservative capital structure

The firm has no debts on its books except subordinated unsecured loans as on March 31, 2019 indicating its conservative capital structure.

Steady demand prospects of edible oil industry

The edible oil production in India has remained stagnant over the years, which is insufficient to fulfil the domestic requirements of edible oil. Consequently, the country's dependence on imports has increased over the years and currently around 65-70% of the domestic edible oil requirements are met through imports. The same provides ample growth opportunities to traders like RV to scale-up the business though stiff competition exists.

Key Rating Weaknesses

Small Scale of Operation

The entity have effectively commenced operation only from Q4FY18, reflecting a very nascent stage of operation. In its first full year of operations in FY19, the firm achieved total operating revenue of Rs.77.84 crore. Furthermore, in 9MFY20, the firm has achieved operating revenue of Rs.99.46 crore.

Thin Profitability

The entity is purely into trading of edible oils. Due to limited value additions and highly competitive operating environment the profitability of the firm remained thin marked by EBITDA margin of 3.55% and PAT margin of 0.85% respectively in FY19. Thin profit margin resulted in low cash accruals for the firm.

Exposure to risk of foreign exchange fluctuation

The entity is exposed to risk of adverse movement in foreign exchange. The entity generally import from countries like Singapore, Malaysia & UAE while sales to counterparties are made on high sea basis. As the entity operate on a back to back arrangement, this risk is mitigated to a large extent.

Limited liability partnership nature of constitution

RV, being a limited liability partnership, has restricted access to external funds.

Highly fragmented industry and volatility in international edible oil prices

Owing to low entry barriers the edible oil trading industry is highly fragmented with presence of numerous organised and unorganised players. Moreover, palm oil prices are majorly influenced by the demand and supply situation in Indonesia and Malaysia and regulations in those countries. The frim largely operates on back-to-back purchase and sales order basis; hence, mitigating the price risk to an extent.

Liquidity

The liquidity position of the firm is expected to remain adequate marked by its nil debt repayment obligations. The firm generally relies on its non-fund based facility. However, the liquidity position is constrained due to its thin profitability.

About the Firm

RV Wines LLP (RV) are engaged in the trading of edible oils (mainly crude palm oil). RV was incorporated in August 2016. The entity has commenced commercial operations only from Q4FY18. The entity is promoted by the Mr. Vikas Gupta and Ms. Shikha Gupta.

Financials (Standalone) **(Rs. crore)**

For the year ended / As On	31-03-2018 (Audited)	31-03-2019 (Audited)
Total Operating Income	22.50	77.84
EBITDA	0.65	2.71
PAT	0.38	0.59
Total Debt	0.00	0.00
Tangible Net worth	11.72	17.41
EBITDA Margin (%)	2.90	3.48
PAT Margin (%)	1.18	0.75
Overall Gearing Ratio (x)	0.00	0.00

Note: Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not applicable

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crores)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2015-16
1.	Non-Fund Based Facilities	Long Term/ Short Term	45.00* (Previously Rs. 30 crore)	IVR BB+/Stable Outlook/ IVR A4+ (IVR Double B Plus with Stable Outlook/IVR A Four Plus)	IVR BB/Stable Outlook/ IVR A4 (IVR Double B with Stable Outlook/IVR A Four) (February 21, 2019)	IVR B+/Stable Outlook/ IVR A4 (IVR Single B Plus with Stable Outlook/IVR A Four) (April 2, 2018)	-

*enhanced from Rs.30.00 crore and includes Rs.1 crore sublimit of proposed interchangeable CC limit

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Rating Analyst:

Name: Mr. Karan Girdhar Tel: (011) 24655636 Email: kgirdhar@infomerics.com	Name: Mr. Avik Podder Tel: (033) 46022266 Email: apodder@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility(Rs. Crores)	Rating Assigned/ Outlook
Long Term/Short Term Non-Fund Based Facilities	-	-	-	45.00*	IVR BB+/ Stable Outlook/ IVR A4+ (IVR Double B Plus with Stable Outlook/IVR A Four Plus)

*enhanced from Rs.30.00 crore and includes Rs.1 crore sublimit of proposed interchangeable CC limit