Press Release

Sri Aishwarya Refinery Private Limited (SARPL)
March 31, 2021

Ratings:

Instrument / Facility	Amount (INR Crore)	Ratings	Rating Action
Long Term Fund Based Bank Facilities – Term Loan	1.79	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned
Long Term Fund Based Bank Facilities – Cash Credit	24.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned
Short Term Non-Fund Based Bank Facilities – Letter of Credit	15.00	IVR A3 (IVR Single A Three)	Assigned
Total	**40.79**		

Details of Facilities are in Annexure 1

Detailed Rationale:

The aforesaid ratings assigned to the bank facilities of Sri Aishwarya Refinery Private Limited (SARPL) derives strength from experienced management and long track record of operations, diversified product profile and client base, favourable location, range bound revenue & EBITDA margin, Moderate capital structure & debt protection metrics and Efficient working capital management. The rating however is constrained by operating margin susceptible to vagaries of climatic condition, exposure to intense competition & high geographical concentration in revenue, Susceptibility to changes in government policies.

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in the revenue and/or profitability while maintaining the debt protection parameters.

Downward Factors

- Any decline in scale of operations and/or profitability leading to sustained deterioration of liquidity and/or debt protection parameters.

Key Rating Drivers with detailed description

Key Rating Strengths:

Experienced management and long track record of operations:

The company is being managed by experienced promoter, Kailash Chand Maniyar, (first-generation entrepreneur, having over four decades of experience in edible oil industry), Mr. Vijay Kumar Maniyar (a second-generation businessman. having experience of over two decades) and Mr. Vishal Maniyar (having experience of over a decades). Having operated in industry since years now, the management has established a strong network with suppliers and customers and has established a good track record. Beside the promoter, the company has a team of experienced and capable professionals, having over two decades of experience in the segment, to look after the overall operations and day to day management.

Diversified product profile:

The company has a diversified product portfolio with over five different oil. The product portfolio contains Palmolein oil, Cottonseed oil, Soya bean oil, Sunflower oil, Rice bran oil and crude palm oil. These products accounts for ~99 percent of the total revenues in FY2020. SARPL also leverages on the wide distribution by having dealers in Andhra Pradesh, Telangana, Karanataka, Maharashtra and Chhattisgarh. The company provides premium segment oils including low cloud point and de-wax refined oils.

Favourable location:

Andhra Pradesh accounts for approximately 80% of the total palm seed production in India. With Andhra Pradesh being the main centre for palm seed crop, the company enjoys the advantage of proximity to its main raw material source.

Diversified client base:

With promoters' extensive experience, the company has been able to gather a diversified client base as the company is in the business for over two decade and has created it name in the segment. The top 10 customers of the company only account for 59% of the sales in FY20 indicating a diversified client base.

Range bound revenue & EBITDA margin:

Company's Revenue remained range bound between INR257.76 – INR270.35 Crore in the last three years ended FY20. EBITDA Margin remained in the range of 2.01% - 2.06%.

During 11MFY21, the company has achieved revenue of INR286.10 Crore as compared to INR248.36 Crore in 11M FY20. The increase in revenue is due to increased demand and improved realisations.

Moderate capital structure & debt protection metrics

Company's capital structure remained moderate as on the past three account closing dates ending FY20. The overall gearing ratio was around 1.07x in FY20 (FY19: 1.18x) and debt-equity stood at 0.11 times as on 31 March 2020. Long term Debt decline to INR2.56 Crores in FY 20 (FY 19: INR3.63 Crore). The financial risk profile of the company is moderate marked by moderate net worth and debt protection metrics. The adjusted net worth of group stood at INR22.89 Crore as on 31 March 2020 (INR20.00 Crore). Debt protection metrics also remained comfortable with interest coverage ratio of 1.61x in FY20 (1.72x). Total Debt / GCA ratio was at 12.38 times in FY2020. Further, TOL/ATNW stood at 2.31 times as on 31 March 2020.

Total debt/GCA, interest coverage & other debt protection metrics expected to remain moderate moving forward.

Efficient working capital management:

The company cash conversion cycle is comfortable with 36 days in FY 20 (FY19:30 days). The average collection period was 58 day in FY 20 (53 days). The average inventory days was at 10 days in FY20 (8 days).

Key Rating Weaknesses:

Operating margin susceptible to vagaries of climatic condition:

Oil is extracted from different oil seeds, the supply of which is dependent on the crop in the country during the year, which, in turn, is dependent upon the monsoon. During years when rainfall is erratic, there is short supply of seeds, leading to idle capacities and high input costs. This adversely impacts the margins of edible oil players. Furthermore, the domestic prices against those in international markets also impact players' business in the global market. The operating margin of the company has been modest at 2.01 – 2.06% in the three fiscals ended 2020. The extent of volatility in the margin will remain a key monitorable.

Company purchases are backed by orders mitigating the price volatility risk to major extent.

Exposure to intense competition and high geographical concentration in revenue:

The Company derives 80-90% of its revenue from AP and Telangana, exposing it to geographical concentration risk.. Also, the market is dominated by many unorganised reasonable players further intensifying the competition.

Susceptibility to changes in government policies:

The prices of edible oils are linked to domestic oilseed prices, which are determined by output and minimum support price (MSP) fixed by the Government of India, and also by international price trends. Because oil is an agricultural commodity, there is significant government intervention in the industry. To ensure remunerative prices to farmers, the government fixes the MSP on oilseeds periodically. On the other hand, it restricts any major increase in end product prices as edible oil is an essential commodity and has a bearing on the wholesale price index and inflation.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity – Adequate

The Company has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. Also, the company do not have major long-term repayment obligations and major capex plans. The Cash Credit average utilization for the last 12 months ended February 2021 stood at 91.61%. The company has reported a healthy current ratio at 1.41x as on March 2020 and a short cash conversion cycle of 36 days.
Company has not availed any COVID-19 loan provided nor has taken any moratorium facility provided by RBI. The cash & cash equivalent stood at INR 3.70 Crore in FY20.

About the Company:

Incorporated in 2011, Sri Aishwarya Refineries Pvt Ltd is based out of Hyderabad and is engaged in the business of refining all kinds of Oils depending upon the demand & supply dynamics. Company has its manufacturing facility in Choutuppal which is around 45-50 Km from Hyderabad with an installed capacity of 60,000 MTPA.

Financials: Standalone

(INR Crore)

For the year ended/ As On	31-03-2019	31-03-2020
	(Audited)	**(Audited)**
Total Operating Income	257.76	270.35
EBITDA	5.18	5.58
PAT	1.17	1.28
Total Debt	23.53	24.58
Tangible Net-worth	20.00	22.89
Ratios		
EBITDA Margin (%)	2.01	2.06
PAT Margin (%)	0.45	0.47
Overall Gearing Ratio (x)	1.18	1.07

Status of non-cooperation with previous CRA: Nil

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Fund Based Bank Facilities – Term Loan	Long Term	1.79	IVR BBB-/ Stable	--	--	--
2.	Long Term Fund Based Bank Facilities – Cash Credit	Long Term	24.00	IVR BBB-/ Stable	--	--	--

3.	Short Term Non-Fund Based Bank Facilities – Letter of Credit	Short Term	15.00	IVR A3	--	--	--

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.

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About Infomerics:

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Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities – Term Loan	--	--	Upto Jun 2023	1.79	IVR BBB-/ Stable
Long Term Fund Based Bank Facilities – Cash Credit	--	--	--	24.00	IVR BBB-/ Stable
Short Term Non-Fund Based Bank Facilities – Letter of Credit	--	--	--	15.00	IVR A3