

Press Release

Vindeshwari Exim Pvt Ltd.

August 22, 2018

Ratings

Instrument/Facility	Amount (Rs. Crore)	Rating Assigned	Rating Action
Long Term Debt-Term Loan	14.00	IVR BB+/- Stable Outlook (IVR Double B Plus with Stable Outlook)	Assigned
Fund Based Facilities	2.20	IVR BB+/- Stable Outlook (IVR Double B Plus with Stable Outlook)	Assigned
Non-Fund Based Facilities	30.00	IVR A4+ (IVR A Four Plus)	Assigned
Proposed Fund Based/Non-Fund Based Facilities	6.80	IVR BB+/- Stable Outlook/IVR A4 Plus (IVR Double B Plus with Stable Outlook/ IVR A Four Plus)	Assigned

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings derive strength from the experienced management who have demonstrated their support by timely infusing unsecured loans in the past to support operations of the company, established relationship with suppliers and customers, order backed nature of business, funding tie-up for the proposed project and comfortable liquidity profile. The ratings, however, are tempered by small scale of operations, thin profitability margins, moderate capital structure and debt protection metrics, project risk with respect to the IMFL bottling unit being set up, volatility related to foreign exchange fluctuations and fragmented nature of industry which is volatile to price fluctuations. Timely execution and commissioning of the proposed project, profitability, leverage and growth in scale of operation are the key rating sensitivities.

List of Key Rating Drivers

- *Experienced management*
- *Support in the form of unsecured loans*

- *Established relationship of the group with suppliers and customers*
- *Order backed nature of business*
- *Funding tie-up in place for the proposed project*
- *Comfortable Liquidity Profile*
- *Steady demand prospects of edible oil industry*
- *Small Scale of Operations*
- *Thin Profitability Margins*
- *Moderate capital structure and debt protection metrics; likely to deteriorate going forward*
- *Project Risk*
- *Exposure to risk of foreign exchange fluctuation*
- *Highly fragmented industry and volatility in international edible oil prices*

Detailed Description of Key Rating Drivers

Key Rating Strengths:

Experienced management

The promoter of the company, Mr. Varun Gupta has an experience of about 7 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.

Support in the form of unsecured loans

The promoters have demonstrated their support towards the company by infusing funds in the form of unsecured loans constantly to support operations. Further the promoters have also infused equity of Rs.4.27 crore for the project, while the balance is expected to be infused by December 2018.

Established relationship of the Group with suppliers and customers

The group has been engaged in trading of edible oils for about seven years. It has developed relations with its customers and suppliers.

Order backed nature of business

The company generally engages in trading based on back-to-back orders from their customers and suppliers which reduces price volatility risk. With respect to purchases, the entity opens a 180 days Letter of Credit in favour of suppliers. Meanwhile, it generally gives credit to its customers for a similar period, resulting in minimal funds being blocked in working capital.

Funding tie-up in place for the proposed project

The company has a ready tie up of funds in the form of term debt which is sanctioned (Rs.5.16 crore drawn down in FY19), along with equity infused of Rs.4.27 crore (Rs.2.45 crore in FY18 and balance in FY19). The remaining funds would be utilised as the project progresses.

Comfortable Liquidity Profile

The company generally relies on its LC facility and has a nominal CC facility of Rs.0.20 crore sanctioned. Further, the company generally does not carry any inventory and has back to back orders resulting in minimal funds being blocked in working capital.

Steady demand prospects of edible oil industry

The edible oil production in India has remained stagnant over the years, which is insufficient to fulfill 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 VEPL to scale-up the business though stiff competition exists.

Key Rating Weaknesses:

Small Scale of Operations

The company has a small scale of operations reflected in terms of a topline of Rs.80.34 crore and PAT of Rs.0.51 crore during FY18.

Thin Profitability Margins

The company purely into trading of edible oils. As is inherent in a trading entity, the profitability margins are thin as reflected in EBITDA margin of 2.88% and PAT margin of 0.64% during FY18. Although the same has been improving since the past few years, it is low.

Moderate capital structure and debt protection metrics; likely to deteriorate going forward

VEPL has a moderate capital structure marked by an overall gearing ratio of 0.91x as on March 31, 2018 as compared to 1.31x as on March 31, 2017. The capital structure has improved on account of infusion of funds by the promoters. However, the same is likely to deteriorate going forward on account of long term debt taken by the company for setting up its IMFL bottling unit located at Uttarakhand. The company's debt protection metrics are moderate market by interest coverage ratio of 3.15x as on March 31, 2018.

Project Risk

The company proposes to set up its own IMFL bottling unit in Tehri District, Uttarakhand, at a total estimated cost of Rs.22 crore, which is proposed to be financed at a debt-equity ratio of 1.76:1. The size of the project is substantial as compared to the present networth of the company. Further, the company does not have any tie-ups at present, although it has received expression of intent from several parties, reflecting offtake risk for the company. Successful commissioning of the same and post implementation viability are the key rating monitorables.

Exposure to risk of foreign exchange fluctuation

The company is exposed to risk of adverse movement in foreign exchange. The company generally imports from countries like Singapore, Malaysia & UAE while sales to counterparties in India are made on high sea basis. The company generally deals in USD with respect to purchases, whereas the sales are generally made in rupee. As the entity operates on a back to back arrangement, this risk is mitigated to a large extent. Further, the entity has obtained Forward Cover facility for about 85-90% of the exposure which also reduces the risk to some extent.

Highly fragmented industry and volatility in international edible oil prices

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

Infomerics Valuation And Rating Pvt. Ltd.



Analytical Approach & Applicable Criteria:

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)

Default Recognition & Post-Default Curing Period

About the Company

Vindeshwari Exim Pvt Ltd (SEPL) is engaged in the trading of edible oils (mainly crude palm oil). The company commenced operation 2011 onwards. The entity imports edible oils mainly from Singapore, Malaysia and U.A.E and facilitates high sea sales to customers like in India. The entity generally engages in trading based only on back to back orders, which reduces price volatility risk. The company is promoted by the Gupta family and is presently looked after by Mr. Varun Gupta. In addition to operating this entities, the Gupta family also operates other entities which are engaged in similar oil trading operations– RV Wines LLP (IVR B+/Stable, IVR A4), Avyukta Agro Impex Pvt Ltd (IVR B+/Stable, IVR A4) and Smartha Enterprises Pvt Ltd (IVR BB+/Stable, IVR A4+). RV Wines LLP and Avyukta Agro ImpexPvt Ltd have recently been incorporated and have commenced operation only from Q4FY18, while Smartha Enterprises Pvt Ltd has been in operation 2014 onwards.

Financials (Standalone Basis)

(Rs. crores)

For the year ended* / As On	31-03-2017 (Audited)	31-03-2018 (Audited)
Total Operating Income	62.55	80.34
EBITDA	1.59	2.31
PAT	0.25	0.51
Total Debt	4.70	5.90
TangibleNetworth	3.59	6.50
EBITDA Margin (%)	2.54	2.88
PAT Margin (%)	0.39	0.64
Overall Gearing Ratio (x)	1.31	0.91

* 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:

S. No.	Name of Instrument/ Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Long Term Debt-Term Loan	Long Term	14.00	IVR BB+/ Stable Outlook			
2.	Long Term Fund Based Limits	Long Term	2.20	IVR BB+/ Stable Outlook	--	--	--
3.	Short Term Non-Fund Based Facilities	Short Term	30.00	IVR A4+			
34.	Proposed Fund Based/Non-Fund Based Facilities	Long Term/ Short Term	6.80	IVR BB+/ Stable Outlook/ IVR A4 Plus			

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:

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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Debt-Term Loan	NA	NA	Dec, 2026	14.00	IVR BB+/ Stable Outlook
Long Term Fund Based Limits- Cash Credit	NA	NA	NA	2.00	IVR BB+/ Stable Outlook
Long Term Fund Based Limits- Overdraft	NA	NA	NA	0.20	IVR BB+/ Stable Outlook
Short Term Fund based facilities- LC	NA	NA	NA	30.00	IVR A4+
Proposed Fund Based/Non-Fund Based Facilities	NA	NA	NA	6.80	IVR BB+/ Stable Outlook/ IVR A4 Plus