

Press Release

RV Wines LLP (RV)

February 21, 2019

Rating

Instrument/Facility	Amount (Rs. Crore)	Rating Assigned	Rating Action
Long/Short Bank Facilities - Non- Fund Based Limit	30.00 (incl. proposed CC sublimit of Rs.1 crore)	IVR BB/Stable Outlook/ IVR A4 (IVR double B with Stable Outlook/IVR A Four)	Revised from IVR B+/Stable Outlook/ IVR A4 (IVR Single B Plus with Stable Outlook/IVR A Four)
Total	30.00		

Details of Facilities are in Annexure I

Detailed Rationale

The revision in the rating factors in the comfortable capital structure of the company. Further, the rating derives 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. However, the rating is constrained by small scale of operation, thin profitability, exposure to risk of foreign exchange fluctuation, limited liability partnership nature of constitution and risk of withdrawal of capital and highly fragmented industry and volatility in international edible oil prices. Growth in scale of operation & profitability, successful and timely execution of order and hedging forex risk are the key rating sensitivities.

Detailed Description of the Key Rating Drivers

Key Rating Strengths

Experienced promoters

The promoters of the company, Mr.Varun Gupta &Mr.SomirBhaduri have an experience of about 7 years in the edible oil trading industry. Further, the group's other entities Vindeshwari Exim Pvt Ltd (VEPL), Smartha Enterprises Pvt Ltd (SEPL) and Ayukta Agro Impex Private Ltd are also engaged in this line of business. The group has turnover of around Rs.183 crore in FY18. 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 group has been engaged in trading of edible oils for about 7 years. It has developed relations with its customer and supplier base, which is expected to benefit RV in going forward.

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. With respect to purchases, the entity opens a 180 days Letter of Credit in favour of suppliers.

Comfortable capital structure

The operations of the company are supported by unsecured loans from the promoters which are subordinated to the debt of the company resulting in the company reporting comfortable 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 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 RV to scale-up the business though stiff competition exists.

Key Rating Weaknesses

Small Scale of Operation

The entity has effectively commenced operation only from Q4FY18, reflecting a very nascent stage of operation. In FY18, while RV has reported topline and EBITDA of Rs. 22.58 crore and Rs. 0.73 crore respectively.

Thin Profitability

The entity is purely into trading of edible oils. They procure the materials from the suppliers and sell them to their customers. As is typical in any trading entity, the profitability is expected to remain thin.

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 and risk of withdrawal of capital

RV, being a limited liability partnership, is exposed to the inherent risk of the capital being withdrawn at the time of personal contingency and the firm being dissolved upon the death/insolvency of the partners. Further, a limited liability partnership has restricted access to external funds.

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 entity largely operates on back-to-back purchase and sales order basis hence mitigating the price risk to an extent.

Analytical Approach & Applicable Criteria

- Standalone
- Rating Methodology for Trading companies
- Financial Ratios & Interpretation (Non-Financial Sector)
- Default Recognition & Post-Default Curing Period

Liquidity

The company is basically trading in Oil on back to back contract earning a modest level GCA and the same is expected to increase gradually with increase in scale of operation and level of margin. There are no long term outside borrowing and fund based working capital. All these factors indicate a moderate degree of liquidity support to the company.

About the Company

RV Wines LLP (RV) are engaged in the trading of edible oils (mainly crude palm oil). RV was incorporated in August 2016. The entity have commenced commercial operations only from Q4FY18. The entity imports edible oils mainly from Singapore, Malaysia and U.A.E and facilitate high sea sales. The entity generally engaged in trading based only on back to back orders, wherein the prices are fixed by the companies before shipment. The entity is promoted by the Mr. Vikas Gupta and Mr. Shikha Gupta. In addition to operating these entities, the Gupta family also operates other entities in oil trading and processing industry – Vindeshwari Exim Pvt Ltd, Smartha Enterprises Pvt and Ayukta Agro Impex Private Ltd.

Financials (Standalone)

(Rs. crore)

For the year ended/ As On	31-03-2018 (Audited)
Total Operating Income	22.58
EBITDA	0.73
PAT	0.27
Total Debt	-
Tangible Networth	4.91
<u>Ratios</u>	
EBITDA Margin (%)	3.24
PAT Margin (%)	1.18
Overall Gearing Ratio (x)	-

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 2018-19)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crores)	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.	Non-Fund Based Facilities	Long Term/ Short Term	30.00	IVR BB/Stable Outlook/ IVR A4 (IVR double B with Stable Outlook/IVR A Four)	IVR B+/Stable Outlook/ IVR A4 (IVR Single B Plus with Stable Outlook/IVR A Four) (April 2, 2018)	-	-	

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. 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. Crores)	Rating Assigned/ Outlook
Non-Fund Based Facilities	-	-	-	30.00 (incl. proposed CC sublimit of Rs.1 crore)	IVRBB/Stable Outlook/ IVR A4 (IVR double B with Stable Outlook/IVR A Four)