

## Press Release

### RV Wines LLP

April 02, 2018

## Ratings

| Sl. No. | Instrument/Facility       | Amount (Rs. Crore)                               | Rating Assigned                                                                  | Rating Action |
|---------|---------------------------|--------------------------------------------------|----------------------------------------------------------------------------------|---------------|
| 1.      | Non-Fund Based Facilities | 30.00 (incl. proposed CC sublimit of Rs.1 crore) | IVR B+/Stable Outlook/IVR A4 (IVR Single B Plus with Stable Outlook/IVR A Four ) | Assigned      |
|         | <b>Total</b>              | <b>30.00</b>                                     |                                                                                  |               |

### Details of Facilities are in Annexure 1

### Detailed Rationale

The ratings assigned derive strength from the experienced promoters who have demonstrated their support through infusion of funds, established relationship of the group with suppliers and customers, order backed nature of business and steady demand prospects of the edible oil industry.

The ratings, however, are tempered by its nascent stage of operation, thin profitability due to trading nature, susceptibility to foreign currency fluctuations, limited liability partnership nature of constitution and fragmented nature of industry with price volatility.

Growth in scale of operation & profitability, leverage and working capital management are the key rating sensitivities.

### List of Key Rating Drivers

- *Experienced promoters*
- *Infusion of Funds in the form of equity and unsecured loans*
- *Established Relationship of the Group with suppliers and customers*
- *Order Backed nature of business*
- *Steady demand prospects of edible oil industry*
- *Nascent Stage of Operation*
- *Thin Profitability*
- *Exposure to risk of foreign exchange fluctuation*



- *Limited Liability partnership nature of constitution and risk of withdrawal of capital*
- *Highly fragmented industry and volatility in international edible oil prices*

### Detailed Description of Key Rating Drivers

#### Key Rating Strengths:

##### ***Experienced promoters***

The promoters of the entity, led by Mr. Vikas Gupta have an experience of about 7 years in the edible oil trading industry. Further, the group's other Ratnapriya Impex Pvt Ltd (RIPL) are also engaged in this line of business. The promoters are assisted in the day-to-day operation by a team of professionals having relevant industry experience.

##### ***Infusion of Funds in the form of equity and unsecured loans***

The promoters have demonstrated their support towards the entity by infusing funds to the tune of Rs.4.50 crore in the form of capital and Rs.5.50 crore in the form of unsecured loan in each of the entities. The unsecured loan has been subordinated to the bank dues, if any.

##### ***Established Relationship of the Group 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 both RV going forward.

##### ***Order Backed nature of business***

The entity generally engages in trading based on back-to-back orders from their customers and suppliers, resulting in minimal funds being blocked in working capital. The price is fixed before the shipment takes place. With respect to purchases, the entities open a 180 days Letter of Credit in favour of suppliers.

## ***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**

### ***Nascent Stage of Operation***

The entity has effectively commenced operation only from Q4FY18, reflecting a very nascent stage of operation. As on March 15, 2018, RV has generated topline and EBITDA of Rs14.21 crore and Rs.0.27 crore respectively.

### ***Thin Profitability***

The entity is engaged purely into trading of edible oils. It procures 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. It generally imports its purchases from countries like Singapore, Malaysia & UAE while sales to counterparties are made on high sea basis. The entity generally deals in USD with respect to both sales and purchases, however the currency may differ on certain occasions. 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 from the lending bank which also reduces the risk to some extent.

### ***Limited Liability Partnership nature of constitution and risk of withdrawal***

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:**

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)

**About the Company**

RV Wines LLP (RV) is engaged in the trading of edible oils (mainly crude palm oil). It was incorporated in August 2016. RV has commenced commercial operations only from Q4FY18. It imports edible oils mainly from Singapore, Malaysia and U.A.E and facilitates high sea sales to its customers. Generally it engages in trading based only on back to back orders, wherein the prices are fixed by the companies before shipment. The entity is promoted by Mr. Vikas Gupta. In addition to operating these entities, the Gupta family also operates another entity in oil trading- Ratnapriya Impex Private Limited, which is engaged in oil trading since the past 8 years.

**Financials- Not Applicable as the entity commenced operation only from Q4FY18**

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:**

**Rating History for last three years:**

| S. No. | Name of Instrument/Facilities                  | Current Rating (Year 2017-18) |                                                  |                              | Rating History for the past 3 years     |                                         |                                         |
|--------|------------------------------------------------|-------------------------------|--------------------------------------------------|------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|
|        |                                                | Type                          | Amount outstanding (Rs. crore)                   | Rating                       | Date(s) & Rating(s) assigned in 2016-17 | Date(s) & Rating(s) assigned in 2015-16 | Date(s) & Rating(s) assigned in 2014-15 |
| 1.     | Long Term/Short Term Non-Fund Based Limits- LC | Long Term/Short Term          | 30.00 (incl. proposed CC sublimit of Rs.1 crore) | IVR B+/Stable Outlook/IVR A4 |                                         |                                         |                                         |

**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](http://www.infomerics.com).

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## **About Infomerics:**

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## **Annexure 1: Details of Facilities**

| <b>Name of Facility</b>                  | <b>Date of Issuance</b> | <b>Coupon Rate/ IRR</b> | <b>Maturity Date</b> | <b>Size of Facility (Rs. Crore)</b>              | <b>Rating Assigned/ Outlook</b> |
|------------------------------------------|-------------------------|-------------------------|----------------------|--------------------------------------------------|---------------------------------|
| Long Term Fund Based Limits- Cash Credit | NA                      | NA                      | NA                   | 30.00 (incl. proposed CC sublimit of Rs.1 crore) | IVR B+/ Stable Outlook/ IVR A4  |