



Rating Rationale

Sai Om Petro Specialities Ltd

16 Mar 2020

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 7.00 Crores of Sai Om Petro Specialities Ltd

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous** (Dec 2018)	Present
Fund based Cash Credit	2.75	2.75	Long Term	BWR B+ (Stable)	BWR B+ (Stable) (Reaffirmation)
Non Fund based Letter of Credit Bank Guarantee	3.75 0.50	3.75 0.50	Short Term	BWR A4	BWR A4 (Reaffirmation)
Total	7.00	7.00	INR Seven Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Complete details of Bank facilities is provided in Annexure-I

**The rating was migrated to rating not reviewed category in December 2019.

RATING ACTION/ OUTLOOK

The outlook is Stable as the company has been able to achieve growth in the top line, moderate networth in FY19 and expected to grow in FY20.

The rating reaffirms steady operating performance and improved scale of operations over the years.

The rating continues to factor in the promoters' experience in the chemical industry, established relationship with customers & suppliers, increased revenue, moderate liquidity position, and moderate gearing and networth. However, the rating is constrained by low debt protection metrics, low scale of operations, working capital intensive operations, tin profitability margins and profitability exposed to volatility in raw materials prices.

KEY RATING DRIVERS



BWR principally relied upon audited financials upto FY19 , projection upto FY21 and publicly available information and information / clarification provided by the management.

Credit Strengths:

- **Moderate gearing marked by moderate tangible net worth:** SOPSL enjoys moderate capital structure despite moderate networth marked by gearing of 0.28x as at 31-Mar-19. TNW also remained at a moderate level of ₹7.31 Crs in FY19, increasing marginally from ₹7.28 Crs as at 31-Mar-18.
- **Adequate liquidity position:** Current ratio stood at a level of 1.97x as at 31-Mar-19 indicating adequate liquidity in the business.
- **Experienced management and established relationships with key suppliers and customers:** The directors of SOPSL have combined experience of more than 8 decades in business as the company has been in existence since 1994. Over the years, this has led to strong relationships with key suppliers and customers.

Credit risks:

- **Low scale of operations:** SOPSL's scale of operations remains small despite a long track record of more than 2 decades in the industry. During FY19, revenue increased to ₹16.37 Crs from 12.15 Crs in FY18.
- **Working capital intensive operations:** Gross Current Assets improved but remained high at 86 days as at 31-Mar-19 as against 99 days as at 31-Mar-18 . Working capital is stretched as GCA is equivalent to 58 % of the sale in FY19.
- **Thin profitability margins:** Profitability margins remained thin as OPM declined to 0.89% in FY19 from 0.57% in FY18. However, NPM increased to 0.16% in FY19 from 0.59% in FY18.
- **Inadequate interest-coverage ratio:** ISCR remained inadequate at 0.92x as at 31-Mar-19 on account of rise in interest burden and declining operating profitability margin as well. However, it is marginally improved from 0.31x as at 31-Mar-18.
- **Profitability exposed to volatility in raw material prices:** The Company's profitability is constrained by volatility in raw material prices due to slowdown in the petroleum



products industry.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has factored in the standalone business parameters and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the ability of the entity to accelerate its scale of operations, increase its profit margins, compliance of bank's sanction terms, efficiently manage its working capital and cash flows for timely servicing of interest/debt obligations and strengthening of overall financial risk profile shall be the key rating sensitivities over short to medium term.

Positive: The rating outlook may be revised to positive or rating may be upgraded if the entity is able to sustain its growth and profit margins. Any additional infusion of share's capital would help to improve its capital structure of the entity.

Negative: The rating outlook may be revised to negative or rating may be downgraded if the company achieves lower revenue and profit margins than projected.

LIQUIDITY POSITION: Adequate

The net cash accrual of the Sai Om Petro Specialities Ltd stood Rs. 0.04 Crs in FY19. The company debt repayment stood nil in FY19. The net cash accrual to total debt ratio stood 0.02x in FY19. The cash and cash equivalents stood at Rs 0.13 Cr in FY19. The current ratio of the company stands at 1.97 x in FY19. The funding support from the promoter by way of unsecured loan and ploughing back of profits has supported liquidity and such funding support will be available whenever required.

COMPANY PROFILE

Incorporated in September 1994, SOPSL is a public limited company based in Maharashtra. It is primarily in recycling as well as trading of petroleum products such as waste oil, sludge oil, carol lubricant oil etc. The refined oils find their application as lubricating oil and as fuel for heating etc. in various industries. The refining plant is located in Wada (Thane) in Maharashtra with

installed recycling capacity of 15,000 kl (Kilolitres) per annum. It also provides services of desludging, bilge water collection etc. at certain ports under MARPOL 73/78, which is one of the international marine environmental conventions. SOPSL was upto 2014, also involved in construction and sale of commercial shops/properties.

KEY FINANCIAL INDICATORS

Key Parameters	Units	2019	2018
Result Type		Audited	Audited
Operating Revenue	₹ Cr	16.37	12.15
EBITDA	₹ Cr	0.15	0.07
PAT	₹ Cr	0.03	0.07
TNW	₹ Cr	7.31	7.28
Total Debt/TNW	Times	0.28	0.18
Current Ratio	Times	1.97	2.71

KEY COVENANTS OF THE FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NA

RATING HISTORY

S.No	Facility	Current Rating			Rating History		
		Tenure	Amount (₹ Crs)	Rating	16-Dec-2019	13-Dec-2018	2017
1	Fund Based	Long Term	2.75	BWR B+ (Stable) (Reaffirmation)	RNR	BWR B+ (Stable)	NA
2	Non Fund Based	Short Term	4.25	BWR A4 (Reaffirmation)	RNR	BWR A4	NA
	Total		7.00	₹ Seven Crores Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Trading Entities](#)

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ANNEXURE I

Sai Om Petro Specialities Ltd Details of Bank Facilities rated by BWR

Sl.No.	Name of the Bank	Type of Facilities	Long Term [₹ Cr]	Short Term [₹ Cr]	Total [₹ Cr]
1.	Fund Based: Corporation Bank	Cash Credit	2.75	- -	2.75
2.	Non Fund Based: Corporation Bank	Letter of Credit Bank Guarantee	- -	3.75 0.50	4.25
TOTAL					7.00

Rupees Seven Crores Only



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