Rating Rationale

Saklecha Solventex Pvt Ltd

21 Feb 2018

Brickwork Ratings upgrades the ratings for the Bank Loan Facilities to 'BWR B' aggregating ₹ 10.43 Crores of Saklecha Solventex Pvt Ltd.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (17-6-2016)	Present
Fund based CC	10.00	10.00	Long Term	BWR B- Outlook : Stable (Pronounced as BWR B Minus)	BWR B Outlook : Stable (Pronounced as BWR Single B) Upgraded
TL	1.11	0.43*			
Total	11.11	10.43	INR Ten Crores Forty Three Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
*O/s limit of Term loan as on 16 Feb, 2018.

Rating : Upgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:
BWR has principally relied upon the audited financials of Saklecha Solventex Pvt Ltd up-to FY17, Provisionals up to Q3 of FY 18 (31-12-2017), publicly available information and information /clarifications provided by the management.

The rating has factored, inter alia, the promoters experience, increased revenue and profit margins, satisfactory interest coverage factor, relationship with clientele base as well as the locational advantage. The rating is however constrained by relatively moderate scale of operations, low liquidity position, low net worth , seasonality risk being agri based product.

Going forward, the Company's ability to improve its scale of operations, reduce the operating costs, increase the operating profit margin and infusion of funds for comfortable capital structure and prompt repayment of debt service obligations shall remain the key rating sensitivities.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Description of Key Rating Drivers

- **Credit Strengths:** Experience of the one of the promoters is more than two decades, revenue has increased to Rs. 58.48 Crs in FY17 against Rs. 11.72 Crs in FY15, Profit increased to Rs. 0.37 Crs against from a loss of Rs. 0.72 Crs in FY15, 3 years relationship with the customers, ISCR @ 2.19 times in FY17 and locational advantage for the company as it is situated near many rice mills which makes procurement of raw materials easy and inexpensive.

- **Credit Risks:** Gearing level indicated by 6.60 times in FY17. Net Worth Rs. 1.79 Crs in FY17 and weak liquidity position indicated by current ratio of 0.75 times in FY17.

Rating Outlook: *Stable*

BWR believes the **Saklecha Solventex Pvt Ltd** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Saklecha Solventex Pvt. Ltd (SSPL) was incorporated in 2011 by Mr. Mahendra Kumar in Tumkur, Karnataka. It started commercial operations in December, 2014. The company is involved in the extraction and selling of semi-finished Rice Bran Oil and De-oiled Rice Bran which is the residue of the extraction process. Rice Bran, which is their raw material, is majorly sourced directly from rice processing units in and around the area. It is also procured from outside of Karnataka through traders. It sells to clients like Marico and Adani among many, on a wholesale basis. The company operates in a 3 acre factory in Tumkur which has a total installed capacity of ~100 tonnes/day. Mr. Mahendra Kumar Saklecha is the managing director and founder of SSPL. Mr. Hitesh Saklecha, Mr. Chetan Jain and Mrs. Yashoda M are the other three directors in the company. All directors hold an equal stake of 25% in the company.

Company Financial Performance

As per audited financials of FY17, Company has reported total operating income of Rs. 58.48 Crs as compared to Rs 57.88 Crs in FY16 and Rs 11.72 Crs in FY15.operating profit increased from ₹ 1.50 crs in FY16 to ₹ 2.17 crs in FY17. Net profit increased from a loss of ₹ 0.22 crs in FY16 to a profit of ₹ 0.37 crs in FY17. Net worth of the company increased from ₹ 0.58 crs in FY16 to ₹ 1.79 crs in FY17. The company has gearing of 25.56 times in FY 16 and 6.60 in

FY17. Current ratio decreased slightly in FY17 with 0.75 times in FY17 compared to 0.79 times in FY16. In terms of coverage ratios ISCR increased from 1.36 times in FY16 to 2.19 times in FY17 and DSCR increased from 0.68 times in FY16 from 0.87 times in FY17.

Rating History for the last three years

Instrument /Facility	Current Rating (2018)			Rating History		
	Type	Amount (₹ Crs)	Rating	8-Sep-2017	17-June-2016	24-Dec-2014
Fund Based - CC	Long Term	10.00	**BWR B Outlook : Stable Upgraded**	**BWR B- Outlook : Stable (Issuer Non Cooperation) Reaffirmed**	**BWR B- Outlook : Stable Reaffirmed**	**BWR B- Outlook : Stable Assigned**
Fund Based - TL	Long Term	0.43				
Total		**10.43**	**₹ Ten Crores Forty Three Lakhs Only**			

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Manufacturing Sector

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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

Key Financial Indicators

Key Parameters	Units	2015	2016	2017	31-12-2017
Result Type		**Audited**	**Audited**	**Audited**	**Certified**
Operating Revenue	₹ Cr	13.26	57.88	58.48	50.65
EBITDA	₹ Cr	0.86	1.50	2.17	1.98
PAT	₹ Cr	-0.72	-0.22	0.37	0.88
Tangible Net worth	₹ Cr	-0.66	-0.58	1.79	2.66
Total Debt/Tangible Net worth	Times	-20.30	-25.56	6.60	4.14
Current Ratio	Times	0.78	0.79	0.75	0.90