



Rating Rationale

Veeraiah Solvents Pvt Ltd

13May2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹ 7.50 Crores of Veeraiah Solvents Pvt Ltd.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Dec, 2017)	Present
Fund based	7.50	7.50	Long Term	BWR B (Pronounced as BWR Single B) Outlook: Stable	BWR B (Pronounced as BWR Single B) Outlook: Stable Reaffirmed
Total	7.50	7.50	INR Seven Crores and Fifty Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results till FY18, projected financial statements till FY20, publicly available information and information/clarification provided by the client.

The ratings assigned to Veeraiah Solvents Pvt Ltd draws strength from the experience of the promoters, low dependency on bank borrowings and long term debt, vintage of the company.

The rating is, however, constrained by small scale of operations, stagnant revenue, declining profits, low net worth and low liquidity

Going forward, the ability of the business to increase its scale of operations, improve profitability margins and liquidity status would be the key rating factors for the rating of the business.



Description of Key Rating Drivers

- **Credit Strengths:**

Mr Pinnamaneni Diwakar, the managing director of the company has over 2 decades of experience in the same line of business. The company was incorporated in 2004 and has a vintage of 15 years which has helped it maintain a good relationship with its suppliers and customers with whom the company has been associated for 6-9 years on an average. The company also presently has no long term debt. The only bank borrowings the company has availed is a Cash Credit facility with a limit of Rs. 7.50 Crs. This shows low dependency on borrowed funds.

- **Credit Risks:**

Despite having a vintage of 15 years, the company operates on a low scale of operations and has a net worth of Rs. 1.93 Crs in FY18. The revenue of the company has been stagnant over the years and the profits have declined from Rs. 0.11 Crs in FY17 to Rs. 0.06 Crs in FY18. A high value of trade receivables which have been pending for more than 6 months, along with a current ratio of 1.10 times, shows the company has a liquidity crunch.

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).

Rating Outlook: Stable

BWR believes the **Veeraiah Solvents 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

Veeraiah Solvents Private Limited(VSPL) was incorporated in August 2004 with its registered office at Krishna District, Andhra Pradesh. The company is engaged in the processing and trading of rice bran oil, De Oiled Rice Bran(DOB), De Oiled Cake (DOC) and Palm Kernel Oil. The board of directors includes Mr. Pinnamaneni Diwakar, Mr. Kamineni Ramakoteswara Rao, Mr.Pinnamaneni Poorna Veeraiah and Mr. Pinnamaneni Suresh. Presently, 100% of shares of the company are owned by M/s Veeraiah Non Conventional Power Projects Ltd.

Company Financial Performance



The Company generated a revenue of Rs. 19.64 Crs and a profit of Rs. 0.06 Crs in FY18 where as in FY17 it generated a revenue of Rs. 20.58 Crs and a profit of Rs. 0.11 Crs. Tangible net worth of the unit increased to Rs. 1.93 Crs in FY18 from Rs. 1.87 Crs in FY17.

Rating History for the last three years

S.No	Facility	Current Rating (2019)			Rating History	
		Type	Amount (₹ Crs)	Rating	2018	27.12.17
	Fund Based	Long Term	7.50	BWR B (Pronounced as BWR Single B) Outlook: Stable Reaffirmed	NA	BWR B (Pronounced as BWR Single B) Outlook: Stable
	Total		7.50	₹ Seven Crores and Fifty Lakhs Only		

Status of non-cooperation with previous CRA (if applicable)- NA

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	19.64	20.58
EBITDA	₹ Cr	0.87	0.80
PAT	₹ Cr	0.06	0.11
Tangible Net worth	₹ Cr	1.93	1.87
Total Debt/Tangible Net worth	Times	3.32	3.66
Current Ratio	Times	1.10	1.10

Hyperlink/Reference to applicable Criteria

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



- [Infrastructure Sector](#)
- [Short Term Debt](#)

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For print and digital media

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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, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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