Rating Rationale

Yash Vegetable Oils Private Limited

17 Aug 2018

Brickwork Ratings assigns 'BWR BB-/A4 (Outlook: Stable)' for the Bank Loan Facilities of Rs. 15.00 Crore of Yash Vegetable Oils Private Limited

Particulars

Facilities	Amount (Rs. Crs)	Tenure	Ratings*
Fund based			
Cash Credit	2.00	Long Term	**BWR BB-** *(Pronounced BWR Double B Minus)* ***Outlook: Stable***
Non Fund based			
FLC/ILC	13.00	Short Term	**BWR A4** *(Pronounced BWR A Four)*
Total	**Rs. 15.00 Crores (Rupees. Fifteen Crore Only)**		

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

Rating Assigned: Brickwork Ratings assigned the long term rating of *BWR BB- (Outlook: Stable)* and short term rating of *BWR A4* for the Bank Loan Facilities of Rs. 15.00 Crores of Yash Vegetable Oils Private Limited.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

Brickwork Ratings has essentially relied upon the audited financials upto FY17, projected financials upto FY20, publicly available information and information/clarifications provided by the company's management.

The ratings have factored extensive experience of management in edible oil industry, established operational track record and favorable demand prospect for Sunflower oil. However, the ratings are constrained by thin profitability margins, susceptibility of profitability to volatility in raw material prices, stiff competition from reputed & established players as well as unorganized players, working capital intensive nature of operations, Government Regulatory risks, agro climatic risks and inherent risks associated with Edible oil industry.

Going forward, ability of the company to successfully implement the proposed oil refinery in timely manner, to increase its scale of operations, to improve profitability, to strengthen its credit profile and to manage its working capital efficiently will be the key ratings sensitivities.

Description of Key Rating Drivers

Credit Strengths

- YVOPL's management has extensive experience in edible oil industry and has complete understanding of the business which enables them to understand market dynamics and establish strong relationship with its customers and suppliers.
- The company has established relationship with reputed entities, namely, Adani Wilmar Limited, Gemini Edible Oils & Fats India Private Limited, Kaleesuwari Refinery Private Limited etc.
- The long-term outlook of edible oil demand in India is favorable on expectation of increasing population, increase in per capita consumption which in turn would be driven by increasing proportion of middle-class population and steadily rising affluence levels.

Credit Weaknesses

- Entry barriers in trading of edible oil are low on account of limited Capital & Technology requirements. This leads to intense competition and limits players' pricing power, resulting in low profitability.
- Since sunflower is an agricultural commodity, its availability depends on the monsoon, which limits availability of raw material.
- Working capital intensive nature of operations owing to high inventory levels and volatility in the markets.
- YVOPL is expected to face inherent risks associated with Trading nature of business operations and Edible oil industry and is also exposed to Government Regulatory changes.

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

Brickwork Ratings believes that the **Yash Vegetable Oils Private Limited's** business risk profile will be maintained over 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

Yash Vegetable Oils Private Limited *['YVOPL' or 'the company']* was incorporated on 27th September 2014 in Hyderabad, Telangana. The company is a closely held family business, engaged in trading of crude as well as refined Sunflower oil. YVOPL is setting up sunflower oil refinery manufacturing unit with an installed capacity of 300 TPD at Vakalapudi Industrial site, Kakinada, Andhra Pradesh. The company has obtained most of the approvals for the proposed oil refinery and is expected to achieve commercial operations from October 2018.

Shri. Vinay Agrawal and Smt. Rithika Binjrajka are the directors of the company.

Financial Performance:

YVOPL's revenue has decreased to Rs. 128.59 Crore with net profit of Rs. 0.11 Crore in FY17 from Rs. 137.35 Crore with a net profit of Rs. 0.05 Crore in FY16. Tangible net worth stood at Rs. 8.47 crore as on 31st March 2017. On provisional basis, YVOPL has achieved a revenue of around Rs. 111.46 crore for FY18.

Key Financial Indicators

(Rs. Crore)		FY16	FY17
Net Sales	(Rs. Crs)	137.35	128.59
EBITDA	(Rs. Crs)	0.10	0.19
Net Profit	(Rs. Crs)	0.05	0.11
Tangible Net Worth	(Rs. Crs)	(0.18)	8.47
Total Debt : Tangible Net Worth	Times	(11.22)	0.02
Current Ratio	Times	1.18	0.65

Rating History for the last three years

Sl. No.	Facilities	Current Rating (Year 2018)			Rating History		
		Type	Amount (Rs. Cr)	Rating	2017	2016	2015
1	Cash Credit	Long Term	2.00	**BWR BB-** ***Outlook: Stable***	-	-	-
2	FLC/ILC	Short Term	13.00	**BWR A4**	-	-	-
Total			**Rs. 15.00 Crores (Rupees Fifteen Crore Only)**				

Status of Non-Cooperation with Other CRA: No Available.

Any other Information: Not Applicable.

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Trading Entities
- 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. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

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