



RATING RATIONALE

21 Sep 2020

Siddharth Oils

Brickwork Ratings revises the long term rating for the Bank Loan Facilities of ₹. 7.00 Crores of *Siddharth Oils* ('SO' or 'the firm').

Particulars:

Facility [^]	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Mar' 2020)	Present
Fund Based Cash Credit	6.00	7.00	Long Term	BWR B (Stable) [Downgraded] "Issuer Not Cooperating"	BWR B+ (Stable) [Upgraded]
Total	6.00	7.00	INR Seven Crores only		

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

[^]Details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK : Stable

BWR has upgraded the long term rating to "BWR B+" with "Stable" outlook for the bank loan facilities of Siddharth Oils ('SO' or 'the firm').

The rating draws strength from the long operational track record, well experienced proprietor, moderate financial risk parameters, adequate liquidity. However, the rating is constrained on account of stiff competition in the non edible oil industry, low tangible net worth and inherent risks associated with proprietorship nature of the constitution.

The rating outlook has been assigned as "Stable" as BWR believes that Siddharth Oils 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 there is improvement in revenues and profitability. The rating outlook may be revised to 'Negative' if there is any deterioration in financial risk profile or any liquidity issues.

KEY RATING DRIVERS

Credit Strengths:

- **Long operational track record and Experienced Proprietor** : Siddharth Oils is a proprietorship concern of Mr. Munish Gulati engaged in the trading of edible and non edible oil since 2003. Munish Gulati has a business experience of more than 15 years in this line of business. The long track record of operations has aided the firm in establishing relationships with both customers and suppliers.
- **Moderate Financial Risk Parameters** : The firm is expanding its scale of operations. The firm booked a total operating income of Rs. 60.61 cr in FY 19 as against Rs. 61.78 cr in FY18 and a sharp jump of ~80% in FY20 clocking total revenue of Rs. 108.85 cr. Further, the firm has already booked ~Rs. 80.00 cr sales in 5MFY21. The company has NPM and OPM of 0.48% and 1.62% in FY19 as against 0.44% and 1.52% in FY18. ISCR has also improved from 1.51x in FY18 to 1.55x in FY19. Further, the firm has adequate liquidity.

Credit Challenges

- **Low Tangible Net Worth** : Unsecured loans from proprietor and his family has been maintained in the business from past 4 years and therefore are taken as part of TNW as stipulated by the banker. Accordingly, TNW (Analyzed) of Rs. 1.89 cr is considered for analysis purposes. Debt/Equity ratio(Analyzed) is average at 3.31x as on 31.03.2019. However, it has come down in FY20 to 2.90x on account of an increase in TNW.
- **Highly fragmented and competitive industry** : Non edible oil Industry is highly fragmented and competitive due to presence of large number of unorganised players, presence of large and established players and entry of multinational companies with strong marketing focus in the high end of market.
- **Proprietorship nature of constitution** : SO's constitution as a proprietorship firm has the inherent risk of possibility of withdrawal of the proprietor's capital at the time of personal contingency or firm being dissolved upon the death/retirement/insolvency of the proprietor.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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



RATING SENSITIVITIES

Going forward, the ability of the company to improve its financial risk profile and maintaining adequate liquidity will remain the key rating sensitivities.

Positive: The rating may be upgraded if the company inter alia, is able to improve its profit margins, gearing levels, debt protection metrics or on account of any other favourable factor.

Negative: The rating may be downgraded if inter alia, there is any deterioration in financial risk profile, fails to maintain adequate liquidity or on account of any unforeseen unfavourable events.

LIQUIDITY POSITION : *Adequate*

The company has cash & cash equivalent balance of Rs. 0.09 crs as on 31.03.2019. Long term borrowings of Rs. 1.00 cr as on 31.03.2019 includes only unsecured loans from proprietor and his relatives. There is no capex funded term loan. The company has an Interest service coverage ratio (ISCR) of 1.55x in FY19. Current ratio is average at 1.11x as on 31.03.2019. Conversion Cycle of the company stood moderate at 48 days in FY19. Overall liquidity of the company remains adequate with fully utilized cash credit limit of around 65.81 % in the six months ending July' 2020.

ANY GROUP CONCERNS

The firm has no group concern.

COMPANY PROFILE

Siddharth Oils (SO), a proprietorship firm, was established in 2003, and is being managed by Mr. Munish Gulati. The firm is engaged in the trading of non-edible oil (PFAD/RBD Palm stearin) through its registered office located in Ludhiana, Punjab. The major customers of the firm include- VVF India Limited , Wipro Enterprises Pvt Limited., Jocil Ltd., HUL, etc.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY 2020	FY 2019
Result Type		Provisional	Audited
Operating Income	₹ Cr	108.85	60.61
EBITDA	₹ Cr	1.21	0.98
PAT	₹ Cr	0.50	0.29
Tangible Net worth	₹ Cr	1.26	0.99
Tangible Net worth (Analyzed)	₹ Cr	2.32	1.89
Total Debt/Tangible Net Worth	Times	6.17	7.23
Total Debt/TNW (Analyzed)	Times	2.90	3.31
Current Ratio	Times	1.22	1.11

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : Not Available

RATING HISTORY FOR THE PAST THREE YEARS [including withdrawal and suspended]

Facilities	Current Rating			Rating History			
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	05 Mar' 2020	2019	03 Apr' 2018	2017
Fund Based Cash Credit	Long Term	7.00	BWR B+ (Stable) [Upgraded]	BWR B (Stable) [Downgraded] "Issuer Not Cooperating"	-	BWR B+ (Stable) [Assigned]	NA
Total		7.00	INR 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**

Analytical Contacts	Investor and Media Relations
<p>Rashi Arora Primary Analyst B :+91 172 5032 295 / 6 Ext :104 rashi.a@brickworkratings.com</p> <p>V K Kukreja Associate Director - Ratings B :+91 11 2341 2232 kukreja.vk@brickworkratings.com</p>	<p>Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com</p>

[Siddharth Oils]

ANNEXURE I

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.	Punjab & Sind Bank	Fund Based Cash Credit	7.00	-	7.00
TOTAL					7.00

Total Rupees Seven Crores only



For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings : Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non-convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partners. 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 Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.