

Vijay Solvex Limited

February 2, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	55	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Assigned
Short-term Bank Facilities	45	CARE A3 [A Three]	Assigned
Total Facilities	100 (Rupees One Hundred crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale

The ratings assigned to the bank facilities of Vijay Solvex Limited (VSL) derive strength from wide experience of the promoters in edible oil industry along with synergies derived from operational linkages among group entities and favorable demand outlook for edible oil. The ratings further draw strength from strategic location of processing units with close proximity to raw material source and moderate capital structure and debt coverage indicators along with moderate liquidity position.

The ratings, however, are constrained due to its presence in highly fragmented and competitive oil industry with threat from cheap imports, declining scale of operation of the group with thin profitability margins. The ratings are further constrained on account of vulnerability of profitability margins to fluctuations in the raw material prices and foreign exchange rate.

The ability of the group to increase its scale of operations while improving profitability in the light of volatile raw material prices and improvement in capital structure as well as efficient working capital management would be the key rating sensitivities.

Detailed description of the key rating drivers

The group's scale of operations has been declining over last three financial years ending FY16 (refers to the period April 1 to March 31) on account of decline in sales volume of DOC, edible oil and vanaspati ghee in VSL. The PBILDT margin of the group has exhibited fluctuating trend over the past three financial years ended FY16 on account of fluctuating sales realization of edible oil.

Capital structure of the group stood comfortable with an overall gearing of 0.78 times as on March 31, 2016. Debt coverage indicators of the group have been improving continuously over last three financial years ending FY16 and stood moderate.

The liquidity profile of VSL stood moderate with low utilization of working capital limits for the last 12 months ended September 2016 and moderate working capital cycle of the company at 33 days in FY16.

NLDG has established presence in the industry for more than three decades. The ratings further get strength from favorable outlook for edible oil industry.

Analytical approach:

For arriving at the ratings of VSL, CARE has taken a combined view on Deepak Vegpro Private Limited (DVPL), Data Oils (DOS) and VSL; together referred to as Niranjan Lal Data group (NLDG), as all the entities are in same line of business, have common promoters and are under common management as well as have operational linkages.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

Alwar-based (Rajasthan) VSL was incorporated in 1987 by Mr Niranjana Lal Data and family. VSL is the flagship company of NLDG and is engaged in processing of crude and refined edible oil, Vanaspati Ghee and mustard oil cake from mustard seeds. The company sells De-oiled cake (DOC); a by-product produced through further processing of mustard oil cake. The company also sells refined blended soya edible oils. VSL is also engaged in wind power generation, manufacturing of fine bone china crockery and High Tension (HT) porcelain insulators.

As per the financial results for FY16, NLDG on a combined basis reported a total operating income (TOI) of Rs.974.84 crore (FY15: Rs.1046.47 crore) and PAT of Rs.13.82 crore (FY15: Rs.5.15 crore). Further as per provisional results for H1FY17, NLDG has reported TOI Rs.457.69 crore.

As per the audited results for FY16, VSL reported a TOI of Rs.695.69 crore (FY15: Rs.791.62 crore) and PAT of Rs.5.26 crore (FY15: Rs.4.52 crore). Furthermore, as per the provisional result for H1FY17, VSL has reported TOI Rs.321.24 crore and PAT of Rs.3.25 crore.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank

facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	55.00	CARE BBB-; Stable
Non-fund-based - ST-Letter of credit	-	-	-	35.00	CARE A3
Fund-based - ST-Term loan	-	-	-	10.00	CARE A3

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT-Cash Credit	LT	55.00	CARE BBB-; Stable	-	-	-	-
2.	Non-fund-based - ST-Letter of credit	ST	35.00	CARE A3	-	-	-	-
3.	Fund-based - ST-Term loan	ST	10.00	CARE A3	-	-	-	-

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