

Vijay Solvex Limited

Instrument	Amount	Rating Action
Long term, fund based–Cash credit	Rs. 55.00 crore	[ICRA]BB+ (Stable) Reaffirmed
Long term/Short term-Unallocated	Rs. 20.00 crore	[ICRA]BB+ (Stable)/A4+ Reaffirmed
Short term fund based–Term Loan	Rs. 10.00 crore	[ICRA]A4+ Reaffirmed
Short term Non fund based	Rs. 35.00 crore	[ICRA]A4+ Reaffirmed

ICRA has reaffirmed the long-term rating of [ICRA]BB+ (pronounced ICRA double B plus) and a short-term rating of [ICRA]A4+ (pronounced ICRA A four plus) for the Rs. 120.0 crore bank facilities of Vijay Solvex Limited (VSL)[†]. The outlook on the long-term rating is 'Stable'.

For arriving at the rating, ICRA has considered consolidated profile of VSL and its group company, Deepak Vegpro Private Limited (DVPL) – both these entities are being managed by the same promoter and have operational and financial inter-linkages.

The rating reaffirmation takes into consideration the long track record of promoters (Data Group) in the edible oils industry, favourable demand prospects for mustard oil and oil cake, established market position in branded edible oils segment in North and East India through its brands 'Scooter', 'Neeraj' and 'Hanuman' and the favourable location of manufacturing facilities. However, the rating is constrained by high competitive intensity in the edible oil industry due to its fragmented nature, which results in limited pricing power and thin profitability. In line with other edible oil processors and marketers, the company's financial performance also remains vulnerable to agro climatic risks and changes in consumer preferences that can impact availability of main raw material (mustard seed). Additionally, the profitability of the company remains vulnerable to volatility in global edible oil prices and changes in import duty structure. Thin profitability has resulted in modest coverage indicators. ICRA also notes VSL's decrease in scale of operations in FY15 as part of the mustard oil business was transferred to DVPL and Data Oils (new firm established in Jun-14) and future growth will be driven by the new blended oil segment started in FY16. Going forward, VSL's ability to increase its scale of operations as well as improve its profitability while managing its working capital intensity would remain key rating sensitivities.

Company Profile

VSL, the Data group's flagship company, was set up in 1988 by Mr. Niranjan Lal Data and his family. The product profile of the company mainly comprises of mustard oil, vanaspati ghee, soybean refined oil and de-oiled cake besides the insulators. The group operates seven edible oil manufacturing facilities with a total manufacturing capacity of 2,000 TPD. Data Group of Companies is well diversified into bone china crockery, ceramic gift items, high tension porcelain insulators and wind power along with edible oils. The Data group has mustard oil extraction and vanaspati manufacturing units in Rajasthan and Bihar; its products are marketed under the brands, 'Scooter', 'Neeraj', and 'Hanuman'. In 2008, RIL and VSL together acquired a facility of ROM Industries Limited (ROM), a fully integrated edible oil processing plant having solvent extraction plant, vanaspati manufacturing plant and oil refinery. ROM had filed with Board for Industrial & Financial Reconstruction (BIFR) and its assets are under the official liquidator's control¹. RIL has filed with the official liquidator for demerger of this acquired plant of ROM from all other assets of ROM. Meanwhile, RIL has got into a job work agreement with ROM for production of vanaspati from this plant.

Recent Results

For H1FY16, VSL reported Profit after tax of Rs. 2.2 crore on an operating income at Rs. 317.2 crore as against Profit after tax of Rs. 4.6 crore on an operating income of Rs. 767.9 crore in FY15.

February 2016

[†]"For complete rating definition please refer to the ICRA website www.icra.in or any of the ICRA Rating Publications"

¹ As on date there is an appeal challenging the company's 'sick' status in the Appellate Authority for Industrial and Financial Reconstruction



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