

Press Release

Maharashtra Solvent Extraction Private Limited

April 05, 2023



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	104.09	ACUITE A- Stable Assigned	-
Bank Loan Ratings	127.66	ACUITE A- Stable Reaffirmed	-
Bank Loan Ratings	5.15	-	ACUITE A2+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	236.90	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and short term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs. 132.81 Cr. bank facilities of Maharashtra Solvent Extraction Private Limited (MSEPL).

Further, Acuite has assigned the long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) on the Rs. 104.09 Cr. bank facilities of MSEPL. The outlook is '**Stable**'

Rationale for the rating

The rating is primarily on account of continued improvement in scale of operations during FY2022 and 11MFY2023. The revenues stood at Rs. 3248 Cr. during FY2022 and has already reported revenues of around Rs. 3510 Cr. for 11MFY2023(Prov.) The rating also draws comfort from management's extensive experience, group's established track record of operations and comfortable financial risk profile. The rating is however restrained on account of thin operating and net profitability margins along with susceptibility of the group's revenues to any volatility in pricing and demand or supply of agro based raw materials. Acuite believes that sustenance of scale of operations and any deterioration in the financial risk profile along with profitability margins will continue to remain key monitorable.

About Company

MSEPL was incorporated in 2004 at Mumbai. Its current directors are Mr. Anil Dwarkadas Agrawal, Mr. Rajwardhan Raghujirao Kadambande, Mr. Sanjay Kashinath Agrawal and Mr. Kamlesh Prasad Sinha. The company is primarily engaged in soya bean crushing, extraction of crude soya bean oil and soya bean de oiled cake. It is also engaged in trading of soya bean de oiled cake and yellow corn which is used as feed for poultry. MSEPL procures its raw materials from local farmers in Maharashtra and Madhya Pradesh. The installed capacity is around 700 MT per day and is utilized to the tune of around 76 percent in FY2022. MSEPL caters primarily to the domestic market and is also engaged in the export of de-oiled cake.

About the Group

Mumbai based MSEPL and Sanjay Soya Private Limited (SSPL) was incorporated in 2004. The

two companies, together referred to as the 'Sanjay Soya Group' (SSG) are primarily engaged in the soya bean crushing, extracting and oil refining along with refining other edible oils like cotton seed oil and sunflower oil on a smaller scale. The crushing and extraction operations are undertaken under MSEPL and refining under SSPL. The group markets its refined cotton seed oil under the brand name 'Sanjay Supreme', refined soyabean oil under the brand name 'Soya Drop' and refined sunflower oil under the brand name 'Supreme Sunshine'. The group sells its product to various local players and does bulk sales to retail food chains including Haldiram Foods International Limited and Marico Limited.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has consolidated the business and financial risk profiles of Maharashtra Solvent Extraction Private Limited (MSEPL) and Sanjay Soya Private Limited (SSPL) together referred to as the 'Sanjay Soya Group' (SSG). The consolidation is in view of the common management and strong operational and financial linkages between the entities.

Key Rating Drivers

Strengths

Established track record of operations and experienced promoters

SSG was established by common promoters in 2004. Its day to day operations are managed by Mr. Sanjay Agrawal and Mr. Anil Agrawal. The promoters have extensive experience of around four decades in the same line of business. MSEPL is engaged in the business of soya bean crushing, extraction of crude soya bean oil and soya bean de-oiled cake. It is also engaged in the trading of soya de-oiled cake and yellow corn while SSPL is engaged in refining of soya bean oil, sunflower oil and cotton seed oil. The group has been in operations for over a decade and has an established operational track record. This along with the promoters' extensive experience has helped the group establish stable relationships with suppliers as well as clients and maintain its scale of operations. Some of the group's major customers include Haldiram Foods International Limited, Marico Limited, and Chordia Food Products Limited. Acuité believes that the group will continue to benefit through the promoters' extensive industry experience over the medium term and established track record of operations.

Improvement in scale of operations

The group is primarily engaged in soya bean crushing, extracting and oil refining along with refining other edible oils on a smaller scale like cotton seed oil and sunflower oil. The crushing and extraction operations are undertaken under MSEPL and refining under SSPL. MSEPL also sells soya de-oiled cakes (DOC) in local as well as export markets. It also trades in soya DOC and yellow corn utilizing the established relations with clients to market soya DOC bought from other players. In FY2022 the group has generated revenue of Rs. 3248 Cr. growing by 58 percent against Rs. 2059 Cr. in FY2021 and Rs.1203 Cr. in FY2020. The standalone revenue of MSEPL and SSPL stood at Rs.2712 Cr. and Rs.940 Cr. during FY2022 compared against Rs.1612 Cr. and Rs.816 Cr. in FY2021 respectively. The growth in MSEPL's revenues was majorly driven by increase in trading of existing products along with maize trading which is a new addition to the company's trading portfolio. The revenues contributed by Maize trading in FY2022 stood at Rs.281 Cr. contributing around 11% of the group's total revenue. Further, the revenue contribution from the trading segment increased and stood at around 45% in FY2022 against 34% in FY2021. SSPL's primary product is edible oil which has seen stable domestic demand. Furthermore, the group has recorded revenue of Rs. 3510 Cr. during 11MFY2023. Acuité believes that the group's scale of operations is likely to improve on the back of expected improvement in export sales and trading business over the medium term. However, given the commodity based nature of product SSG remains susceptible to volatility in pricing affecting overall revenues.

Comfortable financial risk profile

The group has comfortable financial risk profile marked by its comfortable net worth, moderate gearing and comfortable debt protection measures. The tangible net worth of the group stood healthy at Rs. 153.39 Cr. as on March 31, 2022 against Rs.93.97 Cr. as on March 31 2021. The increase in net worth is on account of increasing revenue and profitability, leading to higher accretion to reserves. The group has followed moderate financial policy as reflected by moderate gearing of 1.61 times over the last three years through FY2020- 22. The gearing of the group deteriorated to around 1.79 times as on March 31, 2022 against 1.32 times as on March 31, 2021 owing to additional working capital borrowings during FY2022. The overall debt of the group increased from Rs. 124 Cr. as on 31 March 2021 to Rs.274 Cr. as on 31 March 2022. Furthermore, the Total outside Liabilities/Tangible Net Worth (TOL/TNW) also increased and stood at 2.61 times as on 31 March, 2022 as against 1.87 times as on 31 March, 2021. Despite increase in overall debt profile, the debt protection matrices of the group remain comfortable reflected by Interest Coverage Ratio (ICR) of 6.95 times and DSCR of 4.42 times for FY2022. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.23 times as on 31 March, 2022 as against 0.24 times as on 31 March, 2021. Acuité expects the group's financial risk profile to remain comfortable over the medium term on back of stable operating performance and absence of major debt funded capex plans in near term.

Weaknesses

Thin profitability margins and competitive industry

The edible oil market is characterized by thin margin due to low value additive nature and intense competition. At a consolidated level, the group's operating margin were improved yet remained thin at around 3.00% in FY2022 against 2.35% during FY2021 on account of lower raw material costs. The margins remain thin in this line of business which is range-bound between 1.7-3.0 percent. The net profit margin remained around 1.8 percent at a consolidated level. The Indian edible oil industry is highly fragmented with a large number of companies in the organized and unorganized sector due to low entry barriers (low capital and technical requirements of business and liberal policy regime). This has resulted in severe competition and inherently thin profitability margins.

Susceptibility to fluctuations in agro-based raw material price

SSG's operations are exposed to the inherent risks associated with the agriculture-based commodity business, such as availability of raw materials, fluctuations in prices, and changes in government regulations. The group is engaged in the extracting and refining of edible oil. The prices of crude edible oil are volatile in nature hence the profitability is highly susceptible to the ability of the company to pass on the same to its customers. Soya bean is a one-time crop produced during October to January. Further, the demand-supply of soya bean oil and de-oiled cake (DOC) is affected by change in regulations in exporting and importing countries.

Rating Sensitivities

- Sustenance of revenue growth with improvement of operating and PAT margins.
- Deterioration healthy financial risk profile.

Material Covenants

None

Liquidity Position

Adequate

SSG's net cash accruals remained in the range of Rs. 11 Cr. to 64 Cr. for FY2020-22 against repayment obligations of around Rs. 3.5 Cr. for the same period. Going forward the net cash accruals are expected to be in the range of Rs. 75 – 85 Cr. over the next two years against repayment obligations of ~ Rs. 5 Cr. for the same period. The group's working capital cycle is efficiently managed reflected in the Gross Current Asset (GCA) Days of 57 days in FY2022. This has led to lower reliance of bank borrowing for working capital. The bank limit remained utilized at ~55 percent during the last 6 months ending February 2023. Acuité believes SSG will maintain an adequate liquidity profile on account of adequate unutilized bank limits and cushion between repayment obligations and net cash accruals.

Outlook: Stable

Acuité believes that the outlook on SSG will remain 'Stable' over the medium term on account of its promoter's extensive experience, healthy financial risk profile and established operational track record. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	3248.40	2059.36
PAT	Rs. Cr.	59.42	25.21
PAT Margin	(%)	1.83	1.22
Total Debt/Tangible Net Worth	Times	1.79	1.32
PBDIT/Interest	Times	6.95	4.75

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

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Jan 2022	Standby Line of Credit	Long Term	12.40	ACUITE A- Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	10.05	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	64.70	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee	Short Term	4.90	ACUITE A2+ (Assigned)

	Working Capital Term Loan	Long Term	0.91	ACUITE A- Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	39.60	ACUITE A- Stable (Assigned)
	Bank Guarantee	Short Term	0.25	ACUITE A2+ (Reaffirmed)
20 Dec 2021	Proposed Bank Facility	Long Term	3.75	ACUITE A- (Withdrawn)
	Standby Line of Credit	Long Term	12.40	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Bank Guarantee	Short Term	0.25	ACUITE A2+ (Upgraded from ACUITE A2)
	Proposed Bank Facility	Long Term	1.15	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Cash Credit	Long Term	64.70	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Working Capital Term Loan	Long Term	3.75	ACUITE A- Stable (Assigned)
03 Apr 2020	Proposed Bank Facility	Long Term	4.90	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	64.70	ACUITE BBB+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.25	ACUITE A2 (Reaffirmed)
	Standby Line of Credit	Long Term	12.40	ACUITE BBB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	4.90	ACUITE A2+ Reaffirmed
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.25	ACUITE A2+ Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	64.70	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.30	ACUITE A- Stable Assigned
State Bank of India	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	13.46	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.79	ACUITE A- Stable Assigned
Yes Bank Ltd	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	10.00	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	39.50	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	20.00	ACUITE A- Stable Assigned
Axis Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	30.00	ACUITE A- Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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