



**Press Release**  
**MAHARASHTRA SOLVENT EXTRACTION PRIVATE LIMITED**  
**June 06, 2024**  
**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.50	ACUITE A-   Negative   Assigned	-
Bank Loan Ratings	231.75	ACUITE A-   Negative   Reaffirmed   Stable to Negative	-
Bank Loan Ratings	5.15	-	ACUITE A2+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	267.40	-	-

**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. 236.90 Cr. bank facilities of Maharashtra Solvent Extraction Private Limited (MSEPL). The outlook is revised from **'Stable' to 'Negative'**.

Further, Acuite has assigned the long-term rating of **'ACUITE A-' (read as ACUITE A minus)** on the Rs. 30.50 Cr. bank facilities of Maharashtra Solvent Extraction Private Limited (MSEPL). The outlook is **'Negative'**

**Rationale for rating**

The change in the outlook to Negative factors in the significant moderation in the company's financial risk profile in FY2023 led by a decline in its profitability along with an increase in its debt emanating from increased working capital requirements. The rating is further considers the inherent nature of edible oil industry and trading business that operates with a thin margins along and its susceptibility to the volatility in prices in a competitive industry. The rating also draws comfort from management's extensive experience, group's established track record of operations and a healthy scale of operations. The company's profitability along with the leverage and the coverage ratios will remain the key monitorable.

**About the 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 85.30 percent in FY2024. 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.

**Unsupported Rating**  
Not Applicable

## **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.

#### **Healthy scale of operations despite moderation in FY2024; profitability impacted to due to price volatility**

In FY2023, the SSG's revenue rose by 7% to Rs. 3462.50 Cr. from Rs. 3248.40 Cr. in FY2022, driven by increased trading operations and higher offtake of various oils. Revenues from the trading operations increased to Rs. 1805.71 Cr. in FY2023 from Rs. 1667.79 Cr. in FY2022. Also, the trading's share of revenue increased to 46% in FY2023 from 41% in FY2022. SSPL's capacity utilization improved to 59.24% from 47%. During FY2024, the consolidated provisional revenues stood at Rs. 2942 Cr. (net of intercompany transactions), marking 15% decline over FY2023 on account decline in the sales realisation of the refined oil.

### **Weaknesses**

#### **Moderate financial risk profile**

The group's financial risk profile has moderated in FY23. Although the tangible net worth increased to Rs. 185.09 Cr. as of March 31, 2023, from Rs. 153.39 Cr. in 2022, the gearing ratio deteriorated significantly to 2.41 times from 1.79 times due to additional working capital borrowings. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) moderated to 2.96 times in FY2023 from 2.61 times in FY2022. Also, the debt protection metrics moderated as reflected by the Interest Coverage Ratio (ICR) of 3.43 times in FY2023 from 6.95 times in FY2022, and the Debt Service Coverage Ratio (DSCR) of 2.62 times in FY2023 from 4.42 times in FY2022. Acuité believes that the financial risk profile in FY24 is expected to remain in line in FY23.

#### **Thin profitability margins exposed to fluctuation as exhibited in FY23; 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 declined to 1.89% in FY2023 against 3.00% during FY2022 on account of declining trend in the oil prices against

high-cost inventory held by the company and increased trading revenue. 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 0.92 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**

- Sustainable revenue growth along with an improvement in the margin and the overall credit risk profile.
- Debt funded capex or increase in the working capital borrowing impacting the key credit metrics.

### **Liquidity Position Adequate**

The liquidity profile of the group stood adequate witnessed by low dependence on working capital facilities. The working capital limit remains utilized at ~41 percent during the last 12 months ending March 2024. The Group's net cash accruals remained in the range of Rs.36.73 Cr. FY2023 against repayment obligations of around Rs. 1.68 Cr. for the same period. Going forward the net cash accruals are expected to remain adequate against the maturing debt obligations. Acuite believes SSG will maintain an adequate liquidity profile on account of adequate unutilized bank limits and adequate cushion between repayment obligations and net cash accruals.

### **Outlook: Negative**

Acuite has revised the outlook on SSPL to 'Negative' due to deterioration in its financial risk profile. The rating may be further downgraded in case of further deterioration in the financial risk profile. Conversely, the outlook may be revised to 'Stable' with the improvement in the profitability along with an improvement in its key leverage and coverage ratios.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	3462.50	3248.40
PAT	Rs. Cr.	31.70	59.42
PAT Margin	(%)	0.92	1.83
Total Debt/Tangible Net Worth	Times	2.41	1.79
PBDIT/Interest	Times	3.43	6.95

### 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>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entities: <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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Apr 2023	Bank Guarantee (BLR)	Short Term	4.90	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	0.25	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	64.70	ACUITE A-   Stable (Reaffirmed)
	Cash Credit	Long Term	50.30	ACUITE A-   Stable (Assigned)
	Stand By Line of Credit	Long Term	13.46	ACUITE A-   Stable (Reaffirmed)
	Stand By Line of Credit	Long Term	3.79	ACUITE A-   Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	10.00	ACUITE A-   Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	39.50	ACUITE A-   Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	20.00	ACUITE A-   Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	30.00	ACUITE A-   Stable (Assigned)
05 Jan 2022	Bank Guarantee (BLR)	Short Term	4.90	ACUITE A2+ (Assigned)
	Bank Guarantee (BLR)	Short Term	0.25	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	64.70	ACUITE A-   Stable (Reaffirmed)
	Stand By Line of Credit	Long Term	12.40	ACUITE A-   Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	39.60	ACUITE A-   Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	10.05	ACUITE A-   Stable (Assigned)
	Working Capital Term Loan	Long Term	0.91	ACUITE A-   Stable (Reaffirmed)
20 Dec 2021	Bank Guarantee/Letter of Guarantee	Short Term	0.25	ACUITE A2+ (Upgraded from ACUITE A2)
	Cash Credit	Long Term	64.70	ACUITE A-   Stable (Upgraded from ACUITE BBB+   Stable)
	Proposed Long Term Bank Facility	Long Term	1.15	ACUITE A-   Stable (Upgraded from ACUITE BBB+   Stable)
	Stand By Line of Credit	Long Term	12.40	ACUITE A-   Stable (Upgraded from ACUITE BBB+   Stable)
	Working Capital Term Loan	Long Term	3.75	ACUITE A-   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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.90	ACUITE A2+   Reaffirmed
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.25	ACUITE A2+   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	59.50	ACUITE A-   Negative   Reaffirmed   Stable to Negative
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	115.00	ACUITE A-   Negative   Reaffirmed   Stable to Negative
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.50	ACUITE A-   Negative   Assigned
State Bank of India	Not avl. / Not appl.	Stand By Line of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	17.25	ACUITE A-   Negative   Reaffirmed   Stable to Negative
Yes Bank Ltd	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A-   Negative   Reaffirmed   Stable to Negative
Axis Bank	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE A-   Negative   Reaffirmed   Stable to Negative

Yes Bank Ltd	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE A-   Negative   Assigned
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**\*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

1. Sanjay Soya Private Limited
2. Maharashtra Solvent Extraction Private Limited



## Contacts

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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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