



**Press Release**  
**Dhanraj Solvex Private Limited**  
**September 04, 2024**  
**Rating Assigned and Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE BBB   Stable   Assigned	-
Bank Loan Ratings	147.47	ACUITE BBB   Stable   Upgraded	-
<b>Total Outstanding Quantum (Rs. Cr)</b>	197.47	-	-

**Rating Rationale**

Acuite has upgraded its long term-rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on Rs.147.47 Cr. bank facilities of Dhanraj Solvex Private Limited (DSPL). The outlook is '**Stable**'.

Acuite also has assigned its long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on Rs.50 Cr. additional bank facilities of Dhanraj Solvex Private Limited (DSPL). The outlook is '**Stable**'.

**Rationale for upgrade:**

Rating upgrade reflects DSPL's substantial growth in operating income and profitability during FY2024 and expectation of same being sustained in the current year. The company has registered a 36 percent growth in operating income and a 138 percent growth in EBITDA in FY2024(Prov.), driven by shift towards producing higher-value products. Further, rating is also supported by DSPL's efficient management of working capital operations and its above-average financial risk profile. Going forward, DSPL's ability in sustaining the revenue growth while improving its financial risk profile will be a key monitorable.

**About the Company**

DSPL was established in 2014 by Mr. Dhanraj Pallod. However, the commercial operations commenced in October 2016. The Latur-based company is engaged in manufacturing of crude edible soyabean oil and soyabean de-oiled cake. The company's manufacturing facility is located in MIDC area of Latur and currently has 1000 tons per day of installed capacity and 100 tons per day oil refinery capacity.

**Unsupported Rating**

Not applicable

**Analytical Approach**

Acuite has considered standalone financial and business risk profiles of DSPL to arrive at the rating.

**Key Rating Drivers****Strengths**

### **Experienced management and moderate track record of operations**

DSPL is into the solvent extraction business since past 6 years. Final products include De-oiled cakes and soyabean edible oil. Mr. Dhanraj Pallod, founder and promoter of the company has been in the business of soyabean and cereal trading since past 2 decades. With the expertise and experience in soyabean industry gained over the years, Mr. Pallod started solvent extraction plant in October 2016. The long-term presence in the industry has helped DSPL garner reputed clientele which include names like ITC Limited, Cargill India Private Limited, Godrej Agrovet etc. Acuite believes that going ahead, the promoter's experience would continue to support DSPL's growth.

### **Substantial growth in revenue, with stable growth in profitability:**

DSPL registered significant revenue growth, registering Rs.1,513.66 Cr. in FY2024 (Prov.) with a growth rate of 36 percent on the previous year's revenue of Rs.1109.70 Cr. In the first four months of FY2025, the company registered revenue of Rs.625 Cr, which is 53 percent higher compared to last year's revenue for the same period, posing similar growth in revenue for the current fiscal. The growth in revenue is mainly due to the high demand and better realizations for HPDOC and refined oil. In FY2022, DSPL launched its value added product "High protein De Oiled Cake", which contains 50 percent more protein compared to regular DOC. Additionally, towards the end of FY2023, company also set up an oil refinery plant with 100 tons per day (TPD) capacity. Previously, the raw oil, a by-product of the crushing process, was sold to the refineries. However, with the new in-house oil refinery, DSPL now sells refined edible oil to other companies, who market it under their own brands in the Latur region. Both HPDOC and refined oil has better demand and yields higher realization compared to regular DOC and raw oil, which helped in substantial growth in revenue and profitability during the past 2 years. Consequently, the operating profit margin of the company improved to 3.97 percent in FY2024 (Prov.) from 2.25 percent in FY2023. Despite of substantial increase in finance cost during FY2024 (Prov.), the PAT margin improved due to significant growth in absolute EBITDA. Acuite expects, further improvement in DSPL's revenue and profitability in the medium term, due to increasing demand for HPDOC and refined edible oil, as the company has capacity to accommodate the growth over the medium term.

### **Efficient working capital management:**

DSPL's working capital operations are efficiently managed as evident from the gross current days at 51 days in FY2024 (Prov.), which remained similar to previous year's. The company maintains raw material inventory of around 3-4 weeks and finished goods inventory of just 1-2 weeks as the work in process cycle time is low. DSPL extends a credit period of 15 days to its customers and pays the suppliers upfront to benefit from discounts, resulting in lower creditor days. The company has working capital limits of Rs.149 Cr. which was highly utilized at an average of 97 percent during the past 12 months ending July, 2024. While peak utilization stood around 99 percent during the same period. Acuite expects the working capital management to remain efficient over the medium term on account of the lean inventory levels and limited credit period.

### **Above average financial risk profile:**

DSPL's financial risk profile is average-average, marked by moderate net worth, moderate gearing and above average debt protection metrics. The company's net worth stood at Rs.85.94 Cr. as on March 31, 2024 (Prov.) against Rs.59.13 Cr. as on March 31, 2023. The improvement in net worth is due to accretion of profits to reserves during the period. Consequently, the company's leverage indicators have shown marginal improvement, despite the increase in overall debt levels to Rs.135.50 Cr. as on March 31, 2024 (Prov.) from Rs.106.38 Cr. as on March 31, 2023. The gearing and total outside liabilities to tangible net worth (TOL/TNW) levels stood at 1.58 times 2.05 times as of March 31, 2024 (Prov.) respectively compared to 1.80 times and 2.43 times as on March 31, 2023 respectively. The debt protection metrics stood above average with DSCR and ICR of 1.93 times and 3.86 times respectively as on March 31, 2024 (Prov.) Debt to EBITDA also improved to 2.23 times as on March 31, 2024 (Prov.) from 4.21 times as on March 31, 2023. Acuite believes that the financial risk profile of the company will improve over the medium term due to its moderately conservative leverage policy and increasing scale of operations.

## Weaknesses

### Thin operating margins

The operating margins of the company are thin as per the characteristic trait of edible oil business. The fragmented nature of the industry and dominance of unorganised players also impact the pricing power of the organised players making it difficult to maintain high level of operating margins. The margins have remained low in the range of 3-4 percent since for the past three-year period ended FY2024 (Prov.). The operating margins stood at 3.94 percent in FY2024 (Prov.) as against 2.25 percent in FY2023. DSPL's plan to foray into the refined oil segment and selling their own branded product as well as the higher margins from Hi-pro DOC are expected to improve DSPL's realizations and margins in medium term.

### Susceptibility to fluctuations in agro-based raw material price

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 edible oil business. 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. 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

### Positive:

- Improvement in operating income along with profitability margins.
- Efficiently managing the working capital operations while reducing the reliance on fund based working capital limits.

### Negative:

- Any change in the working capital cycle leading to higher reliance on debt.
- Any deterioration in the financial risk profile of the company.

## Liquidity position: Adequate

DSPL's liquidity position is adequate as reflected through sufficient net cash accruals against the repayment obligations. The company registered NCA's of Rs.36.07 Cr. as on March 31, 2024 (Prov.), comfortably covering the debt obligation of Rs.11.18 Cr. for the same period. NCA's are expected to range between Rs.44-50 Cr. over the medium term which would comfortably meet the expected repayment range of Rs.6-8Cr. The company's current ratio stood moderate at 1.53 times as on March 31, 2024 (Prov.) and the GCA days remained at 51 days in FY2024 (Prov.). The fund based bank limits were utilized at an average of 98 percent during the past 12 months ending July, 2024. Additionally, the company has Rs.15Cr in free fixed deposits, providing additional liquidity comfort despite low free cash and bank balances. Acuite believes that the liquidity position of the company will remain adequate over the medium term on account of sufficient cash accruals against repayment obligations.

### **Outlook: Stable**

Acuité believes that DSPL would maintain 'Stable' outlook on the back of experienced management, healthy revenue growth and timely support from the promoters through equity infusion. The outlook may be revised to 'Positive' in case the company reports better than expected improvement in the revenue and operating margins. Conversely, the outlook may be revised to 'Negative' in case the company reports lower than expected revenue, or any further stretch in the working capital utilisation thereby affecting its liquidity.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	1513.66	1109.70
PAT	Rs. Cr.	26.81	10.07
PAT Margin	(%)	1.77	0.91
Total Debt/Tangible Net Worth	Times	1.58	1.80
PBDIT/Interest	Times	3.86	3.52

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

Not applicable

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite 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
15 Dec 2023	Cash Credit	Long Term	46.00	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	54.00	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	0.56	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	2.29	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	0.90	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	2.44	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	11.41	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	29.87	ACUITE BBB-   Stable (Reaffirmed)
23 Mar 2023	Cash Credit	Long Term	46.00	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	1.69	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	6.28	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	4.64	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	2.44	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.42	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	32.00	ACUITE BBB-   Stable (Reaffirmed)
02 Jun 2022	Cash Credit	Long Term	29.00	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	Term Loan	Long Term	1.69	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	Term Loan	Long Term	6.28	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	Term Loan	Long Term	4.64	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	Term Loan	Long Term	2.44	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	Proposed Long Term Loan	Long Term	0.74	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	Proposed Long Term Loan	Long Term	31.26	ACUITE BBB-   Stable (Assigned)
	Proposed Cash Credit	Long Term	17.00	ACUITE BBB-   Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.42	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
09 Aug	Term Loan	Long Term	4.89	ACUITE BB+   Stable (Reaffirmed)
	Term Loan	Long Term	2.37	ACUITE BB+   Stable (Reaffirmed)
		Long		

2021	Term Loan	Term	8.25	ACUITE BB+   Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.70	ACUITE BB+   Stable (Reaffirmed)
	Cash Credit	Long Term	29.00	ACUITE BB+   Stable (Reaffirmed)
12 Jul 2021	Term Loan	Long Term	4.89	ACUITE BB+   Stable (Assigned)
	Term Loan	Long Term	2.37	ACUITE BB+   Stable (Assigned)
	Term Loan	Long Term	8.25	ACUITE BB+   Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.20	ACUITE BB+   Stable (Assigned)
	Cash Credit	Long Term	11.50	ACUITE BB+   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
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	100.00	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	49.00	ACUITE BBB   Stable   Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	16.98	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE BBB   Stable   Assigned
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Sep 2024	Simple	26.03	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Sep 2024	Simple	0.56	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Mar 2025	Simple	1.04	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Sep 2024	Simple	0.90	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
	Not			Not avl.				ACUITE BBB   Stable

Union Bank of India	avl. / Not appl.	Term Loan	Not avl. / Not appl.	/ Not appl.	01 Dec 2026	Simple	1.96	Upgraded ( from ACUITE BBB- )
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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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