

## Press Release

Thakurji Solvex Private Limited

January 03, 2022

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.87		ACUITE A3+   Assigned
Bank Loan Ratings	87.13	ACUITE BBB   Stable   Assigned	
<b>Total</b>	<b>89.00</b>	-	-

### Rating Rationale

Acuité has assigned a long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) to the Rs.89.00 crore bank facilities of Thakurji Solvex Private Limited (TSPL).

The rating assigned takes into account TSPL's experienced management and established track record of operations. It also draws comfort from TSPL's improving operating performance and moderate financial risk profile. The rating is constrained to some extent on account of its moderately working capital intensive nature of operations and susceptibility of TSPL's profitability to fluctuations in agro based raw material prices. Continued improvement in TSPL's financial risk profile will continue to remain a rating sensitivity factor.

### About the Company

TSPL was incorporated in the year 2013 and is promoted by Mr. Manoj Dhruvkumar Peety. It is engaged in the business of extracting oil and other solvents from cotton seed for which they have set up a cotton seed solvent extraction plant at Jalna in Maharashtra in the year 2014-2015 with an installed capacity of 400 Tonnes Per Day (TPD). In the year 2018-19, the company entered into refining of edible oil and had also set up a preparatory section for Soyabean crushing. Further, in the year 2019-20, they also entered into fractionation and winterisation of oil thereby expanding their scale of operations.

Although TSPL primarily deals in edible oil and de-oiled cakes, they also sell other by products such as cotton seed based lint, wash oil, hull and soap stocks.

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of TSPL for arriving at the rating.

### Key Rating Drivers

#### Strengths

**Extensive experience of promoters in the industry, established track record of operations and presence in the industry**

TSPL incorporated in the year 2013 is promoted by Mr. Manoj Dhruvkumar Peety who has over two decades of experience in the industry through other ventures. He is supported by his other family members who are also Directors in the company. The company has a long track

record of operations, established presence in the industry and strong relations with its customers and suppliers.

Acuité believes that TSPL will continue to benefit from extensive experience of its management, established track record of operations and presence in the industry.

### **Moderate Financial risk profile with moderate capital structure and comfortable coverage indicators**

TSPL's financial risk profile is moderate marked by moderate net worth and gearing of Rs. 30.25 crore and 1.93 times as on 31 March, 2021 respectively. The same stood at Rs.25.80 crore and 1.68 times as on 31 March, 2020 respectively. The total debt of Rs. 58.42 crore as on 31 March, 2021 consists of term loan of Rs.16.94 crore, Rs.2.95 crore unsecured loans and short term working capital limit of Rs. 36.18 Cr. The total outside liabilities to tangible networth stood at 2.11 times for FY2021 as against 2.05 times in FY2020. However, despite the moderate capital structure, the coverage indicator stood comfortable. Interest coverage ratio stood at 2.13 times for FY2021 and 2.12 times for FY2020, while DSCR stood at 1.49 times for FY2021 as compared to 1.60 times for FY2020. The Net Cash Accruals to Total debt remained at 0.11 times for FY2021 and FY2020. Going forward the financial risk profile is expected to remain stable on the back of improvement in operating performance and absence of any significant debt funded capex.

Acuité believes TSPL's ability to maintain its financial risk profile will remain a key rating sensitivity.

### **Improving Operating Performance**

TSPL's operating performance has shown a significant increase for the past three years through FY2021. The revenue of the company stood at Rs.241.61 crore in FY2021 as compared to Rs.195.37 crore in FY2020 and Rs.144.79 crore in FY2019. Majority of the company's revenue (65 percent in FY2021) is generated through the sale of cottonseed and soyabean oil and while sale of de oiled cake is its second largest product (23 percent in FY2021). Revenue growth of ~23 percent is primarily on account of increased demand for edible oils in FY2021. TSPL primarily caters to domestic market and exports account for only 5 percent of the total revenue. The company also has comfortable operating margins. The operating margin stood at 5.04 percent in FY2021 as against 4.71 percent in FY2020. Going forward, for H1 FY2022, the company has already achieved sales of around Rs.139.80 Crore with operating margin of 3.05 percent. Acuité expects the operating performance to improve over the medium term on account of higher demand for edible oil.

### **Weaknesses**

#### **Moderately working capital intensive operations**

TSPL's operations are moderately working capital intensive marked by Gross Current Assets (GCA) of 97 days for FY2021 and 98 days for FY2020. This is primarily on account of high inventory which stood at 62 days in FY2021 which slightly improved from 64 days in FY2020 as the company primarily deals in agro based raw material which are seasonal. Debtor days stood at 15 days in FY2021 which has reduced from 22 days in FY2020 on account faster realization of debtors.

Acuite believe any deterioration in the working capital cycle will remain a key monitorable.

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

TSPL'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 company 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. 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**

- Continued improvement in operating performance while maintaining profitability
- Any further elongation in the working capital cycle

## Material covenants

None

## Liquidity Position - Adequate

TSPL has adequate liquidity marked by adequate net cash accruals in the range of Rs.4.76 crore – Rs.6.33 crore during FY19 to FY20 against repayment obligation in the range of Rs.2.36 crore –Rs.2.40 crore during the same period. Going forward the NCAs are expected in the range of Rs.9.09 crore – Rs.9.88 crore for period FY2022-FY2024 against repayment obligation of ~Rs.3.36 crore – Rs.3.00 crore for the same period. The company's operations are moderately working capital intensive marked by gross current asset (GCA) days of 97 days for FY2021. This makes the company dependent on bank borrowing for working capital requirement. Average bank limit utilization for 6 months' period ended Sep 2021 stood at ~57.40%. Current ratio stands at 1.48 times as on 31 March 2021. The company has maintained cash & bank balance of Rs.2.12 crore in FY2021. Acuité believes TSPL's liquidity profile to remain adequate over the medium term on account of its adequate cash accruals vis-a-vis its repayment obligations.

## Outlook: Stable

Acuité believes that TSPL will maintain a 'Stable' outlook over the medium term owing to its promoters' extensive experience, established track record of operations, improved operating performance and moderate financial risk profile. The outlook may be revised to 'Positive' if the company registers higher than expected revenue growth while maintaining its profitability. Conversely, the outlook may be revised to 'Negative' if the company achieves lower than expected revenue growth, decline in profitability or deterioration of financial risk profile.

## Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	241.61	195.37
PAT	Rs. Cr.	2.21	0.99
PAT Margin	(%)	0.92	0.51
Total Debt/Tangible Net Worth	Times	1.93	1.68
PBDIT/Interest	Times	2.13	2.12

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

CRISIL vide its press release dated 23 December 2021, has mentioned the rating of TSPL to 'CRISIL BB+/Stable' (Issuer Not Cooperating; Rating Withdrawn) as on 23 December 2021.

## Any other information

None

## Applicable Criteria

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

## Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

## Rating History :

Not Applicable

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Quantum (Rs. Cr.)</b>	<b>Rating</b>
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	47.00	ACUITE BBB   Stable   Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	22.85	ACUITE BBB   Stable   Assigned
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.87	ACUITE A3+   Assigned
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	2.07	ACUITE BBB   Stable   Assigned
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	3.73	ACUITE BBB   Stable   Assigned
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	3.76	ACUITE BBB   Stable   Assigned
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	7.72	ACUITE BBB   Stable   Assigned

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## About Acuité Ratings & Research

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