

## Press Release

Thakurji Solvex Private Limited

January 06, 2023



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.00	ACUITE BBB   Stable   Assigned	-
Bank Loan Ratings	87.13	ACUITE BBB   Stable   Reaffirmed	-
Bank Loan Ratings	25.00	-	ACUITE A3+   Assigned
Bank Loan Ratings	1.87	-	ACUITE A3+   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	119.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has reaffirmed the 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 and 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. 30.00 crore bank facilities of Thakurji Solvex Private Limited (TSPL). The outlook is '**Stable**'.

### Rationale for Rating Re-affirmation

The rating reaffirmation is on account of stable operating and financial performance of the company. The operating income improved to Rs. 385.79 Cr. in FY22 as against Rs. 241.61 Cr. in FY21 albeit moderation in operating margins to 3.46 percent from 5.04 percent for the same period. The overall gearing improved to 1.87 times as on March 31, 2022 as against 1.93 times as on March 31, 2021. The rating also draws comfort from established track record of operations and extensive experience of promoters in the packaging business. However, the working capital intensive nature of operations of the company and susceptibility of profitability margins to fluctuations in raw material prices provide a negative bias to the rating. Going forward, the Company's ability to improve its scale of operations while maintaining its profitability margins and capital structure and restricting the elongations of its working capital cycle will remain a key rating monitorable.

### About the Company

Incorporated in 2013, Maharashtra based Thakurji Solvex Pvt Ltd is engaged in solvent extraction with capacity of 300 tonnes per day and refining of oil with capacity of 100 tonnes per day. TSPL's current product portfolio includes cotton seed based lint, de oil cake, wash oil, hulls etc. TSPL has its extraction and refining facilities located in Jalna. The company has its presence in domestic as well as international markets such as South Korea and USA. The

Company is currently promoted by Mr. Manoj Dhruwkumar Peety along with his family members.

### **Analytical Approach**

Acuité has considered the standalone view of the business and financial risk profile of TSPL to arrive at the rating

### **Key Rating Drivers**

#### **Strengths**

- **Experienced Management with established track record of operations**

The promoter, Mr. Manoj Dhruwkumar Peety has an experience in the edible oil industry for more than two decades. The extensive experience of the promoters and established presence in the industry has helped the company to generate healthy relations with various customers and suppliers in the domestic market as well as international market. In the international market, the company has its presence in South Korea and USA. The operating income of the Company improved to Rs. 385.79 Cr in FY22 as against Rs. 241.61 Cr in FY21 primarily due to increased sales of refined oil. The Company caters to a bouquet of products including cotton seed based lint, de oil cake, wash oil, hulls etc . In H1FY23, the company has generated a operating income of approx. Rs. 131.15 Cr and is expected to close the year in the range of Rs. 300-350 Cr due to increased refining capacity .

Acuité believes that the TSPL's promoter's experience and the established track record of operations of the company will support its business risk profile over near to medium term.

- **Moderate Financial Risk Profile:**

TSPL has a moderate financial risk profile marked by moderate networth, moderate gearing and average debt protection metrics. The networth improved to Rs. 33.73 Cr. as on March 31, 2022 as against Rs. 30.26 Cr. as on March 31, 2021. The networth increased due to accretion of profits to reserves and infusion of unsecured loans of approx. 13.35 Cr which has been subordinated to the bank borrowings, considered as quasi equity. The total debt of Rs. 63.09 Cr. as on March 31, 2022 includes long term borrowings of Rs. 25.65 Cr ,working capital borrowings of Rs. 36.99 Cr. and unsecured loans from directors and related parties of Rs. 0.45 Cr. The company's overall gearing improved to 1.87 times as on March 31, 2022 as against 1.93 times as on March 31, 2021. The TOL/TNW stood at 2.13 times as on March 31, 2022 as against 2.11 times as on March 31, 2021. The Interest Coverage Ratio improved to 2.70 times in FY22 as against 2.13 times in FY21. The NCA/TD stood at 0.12 times in FY22 as against 0.11 times in FY21.

Acuité expects TSPL's financial risk profile to remain moderate over the near term.

### **Weaknesses**

- **Working capital intensive nature of operations**

The company's operations are working capital intensive in nature. The GCA days stood at 71 days as on March 31, 2022 as against 97 days as on March 31, 2021. The GCA days are primarily driven by inventory days. The inventory days improved to 41 days as on March 31, 2022 as against 62 days as on March 31, 2021. The debtor days improved to 12 days as on March 31, 2022 as against 15 days as on March 31, 2021. The creditor days stood at 6 days as on March 31, 2022 as against 5 days as on March 31, 2021. The average fund based bank limit utilisation for the six months ended November, 2022 ranged between 75-80 percent .

Acuite believes the company's ability to restrict elongation in its working capital cycle will be a key rating sensitivity.

- **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**

- Significant improvement in scale of operations, while maintaining its profitability margins.
- Elongation of working capital cycle
- Deterioration in liquidity position

### **Material covenants**

None

### **Liquidity Position**

#### **Adequate**

TSPL has adequate liquidity position marked by adequate net cash accruals against maturing debt obligations. The company generated cash accruals of Rs. 6-8 crore in FY21-22 against maturing debt obligations of Rs. 2-3 Cr. over the same period. The cash accruals of the company are estimated to remain around Rs. 11-13 Cr. during 2023-24 period against maturing debt obligations around Rs. 2-3 Cr. The company's GCA days stood at 71 days as on March 31, 2022. The current ratio of the company stood at 1.52 times as on March 31, 2022. The average fund based bank limit utilisation for the six months ended November, 2022 ranged between 75-80 percent. The unencumbered cash and bank balance stood at Rs. 4.33 Cr. as on March 31, 2022.

Acuite believes that the liquidity position would be adequate over the medium term on account of moderate cash accruals as against repayment obligations.

### **Outlook: Stable**

Acuite believes that TSPL will maintain a 'Stable' outlook in the near to medium term on account of its stable business risk profile supported by its established position in the market and diversified revenue profile. The outlook may be revised to 'Positive' if the entity registers higher-than-expected growth in its scale of operations, while also improving its operating profitability and coverage indicators. Conversely, the outlook may be revised to 'Negative' in case the financial risk profile deteriorates due to a higher-than-expected increase in debt-funded Capex or working capital requirements resulting in deterioration in the overall capital structure.

### **Key Financials**

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	385.79	241.61
PAT	Rs. Cr.	2.79	2.21
PAT Margin	(%)	0.72	0.92
Total Debt/Tangible Net Worth	Times	1.87	1.93
PBDIT/Interest	Times	2.70	2.13

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

CRISIL vide its press release dated 29 November, 2022, has downgraded the rating to CRISIL BB+/Stable and marked it as 'Issuer Not Cooperating'

### Any other information

None

### Applicable Criteria

- Entities In Manufacturing Sector:- <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

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
03 Jan 2022	Cash Credit	Long Term	47.00	ACUITE BBB   Stable (Assigned)
	Term Loan	Long Term	3.76	ACUITE BBB   Stable (Assigned)
	Term Loan	Long Term	7.72	ACUITE BBB   Stable (Assigned)
	Term Loan	Long Term	2.07	ACUITE BBB   Stable (Assigned)
	Term Loan	Long Term	3.73	ACUITE BBB   Stable (Assigned)
	Proposed Bank Facility	Short Term	1.87	ACUITE A3+ (Assigned)
	Proposed Bank Facility	Long Term	22.85	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
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	47.00	ACUITE BBB   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	22.85	ACUITE BBB   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB   Stable   Assigned
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.87	ACUITE A3+   Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.07	ACUITE BBB   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.73	ACUITE BBB   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.76	ACUITE BBB   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.72	ACUITE BBB   Stable   Reaffirmed
Central Bank of India	Not Applicable	Warehouse Receipt Financing	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A3+   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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