

## Press Release

Ramdevbaba Solvent Private Limited

March 08, 2023

## Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	24.00	ACUITE BBB   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	24.00	-	-

## Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) to the Rs.24.00 Cr. bank facilities of Ramdevbaba Solvent Private Limited (RSPL). The outlook is '**Stable**'.

### Rationale for reaffirmation

The rating reaffirmation factors in the improvement in operating performance of the RSPL in FY2022 marked by increase in operating income and efficient working capital management. The revenue of the company improved to Rs. 584.67 crore in FY2022 as against Rs.425.60 crore in FY21 registering a growth of ~37 percent YoY. The operations of the company continued to remain healthy during FY2023 reflected by revenues of Rs.522.56 crore in 10MFY2023. The financial risk profile of the company continues to remain moderate marked by moderate gearing, net worth levels and comfortable debt protection metrics. However, the rating remains constrained on account of thin profitability margins which remained in the range of 3.22% to 3.64% for the last three years ended FY2022. The rating also remains constrained by the execution risk pertaining to upcoming capital expenditure of addition in capacity and the ability of RSPL of maintaining the moderate financial risk profile without any time and cost overruns of the capex will remain a key rating monitorable.

## About the Company

Incorporated in 2008, Ramdevbaba Solvent Private Limited (RSPL) is based out of Maharashtra and is currently engaged in manufacturing and refining of Rice Bran Oil and Rice Bran De-Oiled Cake. The company is currently has two manufacturing plants located in Maharashtra.

### Analytical Approach

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

### Key Rating Drivers

### Strengths

#### Established track record of operations with experienced management

RSPL is based out of Maharashtra and was incorporated in the year 2008 reflecting an established track record of operations for more than a decade. The company is promoted by

Mr. Pashant Kisanlal Bhaiya who have been engaged in the edible oil industry for more than three decades through other entity of MKB Foods Private Limited. The operations of the company are managed by the promoters as well as by experienced senior management team who are ably supported by a strong line of mid-level managers. The extensive experience of the promoters has helped the company to established long and healthy relationships with reputed customers and suppliers over the years. The key customers of the company include names such as Marico Limited, Mother Dairy Fruit and Vegetable Pvt. Ltd.

Acuité believes that the company will sustain its existing business profile over the medium term on the back of an established track record of operations with an experienced.

### **Moderate Financial Risk Profile**

RSPL has moderate financial risk profile marked by improved tangible net worth of Rs.35.66 crore as on 31 March, 2022 as against Rs.28.99 crore as on 31 March, 2021 on account of accretion to reserves. RSPL follows a moderate leverage policy reflected in its peak gearing level of 1.83 times as on 31 March, 2022 as against 1.54 times as on 31 March, 2021. The total debt outstanding of Rs.65.11 crore consists of working capital borrowings of Rs.22.29 crore, unsecured loan from promoters of Rs.18.73 crore and term loan of Rs.24.09 crore as on 31 March, 2022.

The coverage ratios of the company are comfortable with Interest Coverage Ratio (ICR) of 3.66 times for FY2022 against 4.00 times for FY2021. Also, the Debt Service Coverage Ratio (DSCR) stood at 2.76 times for FY2022 against 3.23 times for FY2021. The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 2.62 times as on March 31, 2022 against 2.43 times as on March 31, 2021. Further, Net Cash Accruals to Total Debt (NCA/TD) stood at 0.18 times for FY2022 as against 0.22 times for FY2021.

### **Efficiently managed working capital operations**

The operations of the company are managed efficiently marked by low GCA days of 47 days for FY2022 as against 51 days for FY2021. The low GCA days is majorly on account of low inventory levels of 23 days for FY2022 compared against 32 days for FY2021. The debtor collection of RSPL is efficient marked by low debtor days of 17 days for FY2022 against 16 days for FY2021. The creditor days of the company stood at 16 days for FY2022 and FY2021. The average utilization of the working capital limits of the company remained on the moderate side of ~60.83 percent in last nine months ended Jan' 2023.

Acuité believes that the working capital management of the company will continue to remain a key rating sensitivity going ahead.

### **Weaknesses**

#### **Exposure of risks associated with planned capital expenditure**

The company has a on-going project of installation of rice bran refinery in Nagpur with a capacity of 100 TPD. The cost of the project is Rs. 32.00 crore and the plant is expected to be operational from March 2023. The project is expected to be funded through internal accruals of Rs. 10.00 crore, bank loans of Rs. 14.00 crore and unsecured loans of Rs. 8.00 crore. Also, during the 9MFY2023, the company installed one solvent extraction plant with capacity of 250 tonnes per day and the installation was completed in December 2022. The total cost of the project was Rs. 19.4 crore, which was funded through bank loans of Rs. 10 crore and internal accruals of Rs. 9.4 crore.

Acuité believes that timely project implementation while sustaining the financial risk profile without any time and cost overruns remains a key sensitivity factor.

#### **Thin profitability margins along with fragmented and competitive oil industry**

The company is engaged into manufacturing of edible oil and the market for edible oil is characterized by thin margin due to value additive nature, high raw material costs and intense competition. The operating profit margin remained in the range of 3.22% to 3.64% for the last three years ended FY2022 majorly on account of increase in raw material costs. The

Indian edible oil industry is highly fragmented with large number of companies in the organised and unorganised sector due to low entry barriers (low capital and technical requirements of business and liberal policy regime). The same has resulted in severe competition and inherently thin profitability margins.

### **Susceptible to fluctuations in raw material prices**

RSPL's operations are exposed to 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. The low margin nature of the industry, dependence on climatic factors for good harvest results in vulnerability of profitability in a volatile pricing scenario.

### **Rating Sensitivities**

- Stretch in the working capital cycle leading to an increase in reliance on working capital borrowings and stretched liquidity position
- Timely completion of capex without any time and cost overruns

### **Material covenants**

None

### **Liquidity Position Adequate**

RSPL has adequate liquidity position marked by adequate net cash accruals against its maturing debt obligations. The company generated cash accruals of Rs.11.83 crore in FY2022 compared against maturing debt obligations of Rs.1.00 crore over the same period. The cash accruals of the company are estimated to remain around Rs.15-21 crore during 2023-24 period while its matured debt obligations is estimated to be in the range of 2.56-3.84 crore during the same period providing enough cushion to meet its obligations. The average utilization of the working capital limits of the company remained on the moderate side of ~60.83 percent in last nine months ended Jan' 2023. Furthermore, the company maintains unencumbered cash and bank balances of Rs.0.20 crore as on March 31, 2022 and the current ratio also stood moderate at 1.50 times as on March 31, 2022.

### **Outlook: Stable**

Acuite believes that RSPL will maintain a "stable" outlook in the medium term and will continue to benefit over the medium term due to its experience management and healthy demand of its products in the market. The outlook may be revised to "Positive", if the company demonstrates substantial and sustained growth in its revenues and/or operating margins from the current levels while maintaining its capital structure through equity infusion. Conversely, the outlook may be revised to "Negative", if company's generates lower-than anticipated cash accruals thereby impacting its financial risk profile, particularly its liquidity

### **Other Factors affecting Rating**

None

### **Key Financials**

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	584.67	425.60
PAT	Rs. Cr.	6.66	5.76
PAT Margin	(%)	1.14	1.35
Total Debt/Tangible Net Worth	Times	1.83	1.54
PBDIT/Interest	Times	3.66	4.00

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

None

**Any other information**

None

**Applicable Criteria**

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <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, 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
01 Mar 2022	Cash Credit	Long Term	15.00	ACUITE BBB   Stable (Assigned)
	Term Loan	Long Term	9.00	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
Saraswat Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	10.50	ACUITE BBB   Stable   Reaffirmed
Saraswat Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.50	ACUITE BBB   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	10.00	ACUITE BBB   Stable   Reaffirmed

## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Vaishnavi Deshpande Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:vaishnavi.deshpande@acuite.in">vaishnavi.deshpande@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### 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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