

Press Release

RAMDEV BABA SOLV ENT LIMITED (ERSTWHILE RAMDEV BABA SOLV ENT P LIMITED)

June 05, 2024

Rating Reaffirmed and Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	53.62	ACUITE BBB Positive Assigned	-
Bank Loan Ratings	24.00	ACUITE BBB Positive Reaffirmed Stable to Positive	-
Total Outstanding Quantum (Rs. Cr)	77.62	-	-

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 Limited (Erstwhile Ramdevbaba Solvent Private Limited) (RSL). The outlook is revised from '**Stable**' to '**Positive**'.

Further, Acuite has assigned the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) to the Rs.53.62 Cr. bank facilities of Ramdevbaba Solvent Limited (Erstwhile Ramdevbaba Solvent Private Limited) (RSL). The outlook is '**Positive**'.

Rationale for Rating

The revision in outlook is due to improvement in RSL's financial risk profile driven by equity infusion and stable operating performance. The revenue of the company stood at Rs. 686.44 crore in FY2024 as against Rs. 706.14 crore in FY2023. The marginal decline in revenue is on account of decrease in the realization prices of oil. The operating margin stood at 3.66 times in FY2024 as against 3.81 times in FY2023. The gearing ratio of the company improved to 1.52 times on March 31, 2024 as against 2.07 times on March 31, 2023. The company raised equity of Rs. 12.45 Cr. in FY2024 and raised another Rs. 50.23 Cr. in April, 2024 vide IPO. This raising of funds is expected to further improve the financial risk profile of RSL in the medium term. Moreover, the company enhanced its oil refining capacity by 18000 MTPA in August, 2023, this is expected to improve the operating performance of the company in medium term. Going forward, the company's ability to scale up its operations while improving its profitability and capital structure will remain a key rating monitorable.

About the Company

Incorporated in 2008, Ramdevbaba Solvent Limited (RSL) 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 three manufacturing plants located in Maharashtra. Mr. Nilesh Suresh Mohata is the Managing Director of the company. The company was recently listed on the National Stock Exchange on April 23, 2024 under the SME segment.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone financial and business risk profiles of RSL to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations with experienced management

RSL 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 management.

Moderate Financial Risk Profile

The company has a moderate financial risk profile marked by increasing networth of Rs. 72.76 crore on March 31, 2024 as against Rs. 47.83 crore on March 31, 2023. The gearing level of the company improved to 1.52 times on March 31, 2024 as against 2.07 times on March 31, 2023. The total debt of the company stood at Rs. 110.87 crore as on March 31, 2024. Total Outside Liabilities to Tangible Networth stood at 2.15 times on March 31, 2024 as against 2.99 times on March 31, 2023. Debt/EBITDA stood at 3.50 times on March 31, 2024 as against 3.65 times on March 31, 2023. Improvement in the above factors is on account of equity infusion in the company.

The coverage ratios of the company remain moderated with Interest Coverage Ratio (ICR) of 3.27 times for FY2024 as against 4.81 times in FY2023. The Debt Service Coverage Ratio (DSCR) stood at 1.27 times for FY2024 as against 4.00 times for FY2023. The moderation in the coverage ratios is on account of increased debt levels and finance cost of the company in FY2024.

RSL has raised capital worth Rs. 62.68 crore in 2 years. Rs. 12.45 crore were raised in FY2023-24 and Rs. 50.23 crore were raised in April 2024. Some of the IPO proceeds will be utilised to repay the outstanding debt of the company. Acuite believes that the financial risk profile of the company will improve in the near term on the back of the recent IPO.

Efficient Working Capital Management

The operations of the company are managed efficiently marked by GCA days of 63 days for FY2024 as against 50 days for FY2023. The GCA days are driven by inventory days and debtor days. Inventory days stood at 34 days in FY2024 as against 25 days in FY2023 while debtor debtors days stood at 22 days in FY2024 as against 20 days in FY2023. The creditors days stood at 20 days in FY2024 as against 19 days in FY2023. Current ratio stood at 1.11 times as on March 31, 2024 as against 1.16 times as on March 31, 2023.

Acuité believes that the working capital management of the company will continue to remain efficient in the near to medium term.

Weaknesses

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 3.66% for the last three years ended FY2024 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

RSL'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

- Maintenance of Debt to EBITDA levels at less than 2.5 times
- Improving scale of operations and achieving operating profitability level of 4 percent or more.

Liquidity Position

Adequate

RSL has adequate liquidity position marked by adequate net cash accruals against its maturing debt obligations. The company generated Net Cash Accruals of Rs. 17.29 crore against its maturing debt obligations worth Rs. 11.60 crore in FY2024. The company is expected to generate net cash accruals in the range of Rs. 20 – 26 crore for FY2025 – 26 against maturing debt obligations in the range of Rs. 5 – 18 crore for the same period. Current ratio stood at 1.11 times as on March 31, 2024. The bank limit utilisation stood high at ~95 percent for twelve months ended March 2024.

Outlook: Positive

RSL's outlook is Positive due to improvement in RSL's financial risk profile driven by equity infusion and stable operating performance. The rating may be upgraded if the company is able to improve its scale of operations and profitability margins while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Stable' in case of lower than expected growth in revenue and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	686.44	706.14
PAT	Rs. Cr.	13.03	14.69
PAT Margin	(%)	1.90	2.08
Total Debt/Tangible Net Worth	Times	1.52	2.07
PBDIT/Interest	Times	3.27	4.81

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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Mar 2023	Term Loan	Long Term	10.50	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	3.50	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	10.00	ACUITE BBB Stable (Reaffirmed)
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
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE BBB Positive Assigned
Saraswat Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE BBB Positive Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	01 Apr 2027	Simple	3.80	ACUITE BBB Positive Reaffirmed Stable to Positive
HDFC Bank Ltd	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	01 Apr 2027	Simple	0.94	ACUITE BBB Positive Assigned
Saraswat Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	15 Feb 2028	Simple	2.68	ACUITE BBB Positive Assigned
Saraswat Bank	Not avl. / Not appl.	Term Loan	03 Mar 2022	Not avl. / Not appl.	03 Mar 2029	Simple	9.16	ACUITE BBB Positive Reaffirmed Stable to Positive
Saraswat Bank	Not avl. / Not appl.	Term Loan	16 Mar 2022	Not avl. / Not appl.	16 Nov 2028	Simple	2.85	ACUITE BBB Positive Reaffirmed Stable to Positive
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	27 May 2022	Not avl. / Not appl.	27 Feb 2029	Simple	8.19	ACUITE BBB Positive Reaffirmed Stable to Positive

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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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