Press Release

Dhanraj Solvex Private Limited (DSPL)

March 19th, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Previous Rating	Rating Action	Complexity indicator
Long Term Bank Facilities	171.85	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	--	Rating Assigned	Simple
Total	**Rs.171.85 (Rupees One hundred and seventy-one crore and eighty-five lakhs Only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics has assigned the ratings to the bank facilities of DSPL derive strengths from significant growth in revenue, moderate capital structure and extensive experience of promoters and established relationships. The rating is however constrained on account of thin profitability margins, susceptibility of margins to volatile raw material price fluctuations, exposure to intense competition in the edible oil industry and susceptibility to changes in government policies.

The Stable outlook reflects Infomerics expectation that DSPL's revenue as well as profitability expected to improve with comfortable capital structure and debt protection metrics in the future.

Key Rating Sensitivities:

Upward Factors

- Significant improvement in revenue along with improvement in working capital cycle leading to overall improvement in liquidity position.

Downward Factors

- Any decline in revenue and profitability and/or any further increase in working capital cycle leading to deterioration in liquidity position.

List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

Significant growth in revenue

DSPL's revenue has improved to Rs.1,509.68 crore. during FY2024 (period refers to April 01st, 2023 to March 31st, 2024) (FY23: 1109.70crore) driven by higher sales volume despite decline in realisation. Furthermore, DSPL has achieved revenue of Rs.1,500 crore during11MFY25, due to the high demand and better realizations for soyabean oil due to higher prices for palm oil, Infomerics expect revenue growth to remain sustained in the future as the demand for soyabean oil is likely to increase as the government has reduced import duty on soyabean oil which is way cheaper and healthier option against the palm oil. Additionally, use of palm oil for biodiesel production can lead to a decrease in its availability for food applications, thereby increasing the demand for soybean oil as a substitute in the edible oil market.

Moderate capital structure and debt protection metrics

DSPL's financial risk profile is moderated marked by overall gearing and TOL/ATNW stood at 1.55x and 2.58x respectively as on March 31st, 2024 (March 31st, 2023: 1.55x and 2.12x respectively), due to higher utilization of increased working capital limits as DSPL needs to procure inventory being a seasonal nature of business. The debt protection metrics marked by EBITDA interest coverage ratio and total debt/ NCA stood comfortable and at 2.91x and 5.21 years respectively at the end of FY24 (FY23: 3.48x and 6.84 years respectively). EBITDA interest coverage ratio marginally deteriorated due to higher interest cost with higher utilization of working capital limits.,. Infomerics expect capital structure and debt protection metrics will improve in the future led by an expected improvement in profitability.

Efficient working capital cycle

DSPL's working capital cycle is efficient marked by gross working capital cycle of 50 days at the end of FY24. DSPL offers a credit period of 20-25 days to its customers and DSPL needs to pay its creditors within a short span of time as it procure its raw materials directly from farmers. Infomerics expects the working capital management to remain efficient over the medium term on account of the limited inventory holding and limited credit period.

Experienced Management and long track record

Mr. Dhanraj Pallod is the founder and the promoter of the company and has been associated with DSPL since its inception. He is responsible for the overall business operations. He has more than two decades of experience in the soyabean industry.

B. Key Rating Weaknesses

Thin albeit improved profitability margins

DSPL's EBITDA margins remained thin though improved to 3.13% in FY24 as compared to 2.25% FY23 due to higher contribution of soyabean oil and better ralisations. Further, Infomerics notes that profitability is expected to further improve with expected subsidy receipt of Rs.3 crore per annum from the government of Maharashtra through FY25-FY30. However, EBITDA margins continue to be exposed to fluctuations in commodity prices due to lower value additions and higher competition.

Susceptibility of margins to volatile raw material price fluctuations

Being an agricultural commodity, raw material prices remain volatile depending on factors like geo-climatic conditions, international prices and domestic demand-supply situations and government policies. Further there is a limited value additive nature of operations.

Exposure to intense competition in the edible oil industry

The edible oil industry is highly competitive with the presence of both large national players and multiple regional players. Along with logistics and supply chain capability, the large integrated players have a sizeable oil processing and packaging scale with wide distribution network. Thus, profitability is inherently low and is further exposed to movement in prices of raw material, finished goods and other substitute.

Susceptibility to changes in government policies

The prices of edible oils are linked to domestic oilseed prices also, which are determined by output and minimum support price (MSP) fixed by the Government of India, and by international price trends. Since oil is an agricultural commodity, there is significant government intervention in the industry. To ensure remunerative prices to farmers, the government fixes the MSP on oilseeds periodically. On the other hand, it restricts any major increase in end product prices as edible oil is an essential commodity and has a bearing on the wholesale price index and inflation. Also, the price of palm oil imported by India from the largest exporters of the commodity in the world, i.e., Indonesia and Malaysia, are affected by the frequent duty structure changes done by the respective governments to protect their domestic industries.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies.

Financial Ratios & Interpretation (Non-Financial Sector).

Criteria for assigning Rating outlook.

Policy on Default Recognition

Complexity Level of Rated Instruments/Facilities

Liquidity: Adequate

The liquidity position of the company remains adequate as cash accruals are expected to match adequately with debt repayment obligations of Rs.8 crore in FY25, Rs.6.23 crore in FY26 and Rs.6.01 crore in FY27. The current ratio stood at 1.33x as on March 31, 2024. Further, DSPL has cash and cash equivalent of Rs.0.14 crore as on March 31st, 2024. The average fund-based bank limit utilization in the last 12 months ended December 2024 stood at 87%, the liquidity position of the company stood comfortable, since it is able to scale up its operations exponentially with a efficient operating cycle.

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. Mr Dhanraj Pallod has developed extensive contacts with the producers, traders, brokers, poultry and animal food businesses across India.

Financials (Standalone): **(Rs. crore)**

For the year ended / As On*	31-03-2023 (Audited)	31-03-2024 (Audited)
Total Operating Income	1109.70	1509.68
EBITDA	24.98	47.28
PAT	10.07	18.16
Total Debt	100.49	130.39
Tangible Net Worth	59.13	78.55
EBITDA Margin (%)	2.25	3.13
PAT Margin (%)	0.91	1.20
Overall Gearing Ratio (x)	1.80	1.73
Interest Coverage (x)	3.48	2.91

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None.

Any other information: None.

Rating History for last three years:

Name of Instrument/ Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
	Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
Long Term Bank Facilities	Long Term	171.85	IVR BBB/ Stable	--	--	--

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About Infomerics:

Infomerics Valuation And Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned / Outlook
Long Term Bank Facilities – Term Loan	--	--	March 2028	22.85	IVR BBB/ Stable
Long Term Bank Facilities – Cash Credit	--	--	Revolving	149.00	IVR BBB/ Stable

Annexure 2: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/Len-Dhanraj-Solvex-19mar25.pdf

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.