



## Press Release

### Rayatagro Solvex Private Limited (RSPL)

**December 24, 2024**

#### **Ratings**

<b>Instrument Facility /</b>	<b>Amount (Rs. crore)</b>	<b>Current Ratings</b>	<b>Previous Ratings</b>	<b>Rating Action</b>	<b><a href="#">Complexity Indicator</a></b>
Long Term Bank Facilities	60.00	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	-	Assigned	Simple
<b>Total</b>	<b>60.00</b> <b>(Rupees Sixty Crore only)</b>				

**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 Ratings has assigned rating to the bank facilities of Rayatagro Solvex Private Limited (RSPL). The rating assignment takes into account extensive experience of promoter and management team, locational advantage with strong procurement and distribution network and scope for edible oil industry in the country. However, the rating strengths remain constrained by moderate capital structure and debt protection metrics. Further, the profitability is susceptible to volatile raw material prices and intense competition in the industry that can impact the company operations.

The stable outlook is assigned on back of relevant experience of the management, and adequate orderbook position for short to medium term.

#### **Key Rating Sensitivities:**

##### **Upward Factors**

- Significant increase in revenue, profits and cash accruals on a sustained basis
- Improvement in the capital structure with improvement in TOL/TNW to below 2x along with improvement of debt protection metrics

##### **Downward Factors**

- Any substantial decline in scale of operation and/or profitability leading to deterioration of debt protection metrics.
- Witnesses a substantial increase in its working capital requirements thus weakening its liquidity & financial profile.



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- Any debt funded capex impacting financial profile

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### Experienced management

The company is managed by the promoter director Mr. Vijaykumar Barkul, having experience of over two decades along with key managerial personnel having experience of over a decade each. The promoter and management team are actively involved in managing the day-to-day affairs of the company along with the support of experienced and qualified professionals.

##### Location specific benefits with strong procurement and distribution network

The major raw materials used in the manufacturing of soya crude oil and de-oiled cakes is soyabean. The raw material is procured mainly from the nearby areas at the farm level available in and around 120 kms from its plant location in Osmanabad, Maharashtra. Apart from this, soyabean is available throughout the year in the open market and seasonality factor does not impact the business. Also, company procures raw material from close to 100-120 framers/traders therefore does not face any issues of availability. Further, the company has determined the most effective distribution channels to reach its target customers. This could involve direct sales, partnerships with distributors, or online platforms for broader reach. They have ensured an efficient logistics for transporting Soya crude oil and DOC from its plant to customers. This includes managing inventory levels to meet demand fluctuations and ensuring timely delivery.

##### Scope for Edible Oil Industry

The edible oil industry in India is characterized by intense competition and fragmentation, with the presence of many edible oil refineries and low entry barriers. Despite that, the country is deficient in production of edible oil and largely depends on imports, accounting for about 60% of total consumption. Share of soyabean oil stands at ~20% of the total edible oil consumption as per the Solvent Extraction Association of India (SEA). Of the total consumption, ~70% of soyabean oil is imported, thereby creating a market for domestic players. Further, demand for soya refined oil is expected to increase led by changing consumer dietary habits and favourable properties of soyabean such as neutral taste, high



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smoke point, and low saturated fat content. Currently the company has established relationships with players in the vicinity for its crude oil sales and plans to identify and sell to various edible oil players within the State.

### **Key Rating Weaknesses**

#### **Moderate capital structure and debt protection metrics**

The capital structure of the company remained skewed marked by the high debt equity ratio and overall gearing ratio on adjusted tangible net worth at 5.19x and 1.61x respectively as on March 31, 2024. Further, total indebtedness of the company also remained high as on March 31, 2023 due to project stage, marked by TOL/TNW at 70.08x. However, the same improved to 1.67x as on March 31, 2024. This is because the project has been completed in June 2024 and commercial operations started in August 2024.

#### **Vulnerability to volatility in raw material prices**

Operations are exposed to inherent risks associated with the agriculture-based commodity business, such as availability of raw material, fluctuations in prices, dependency on climatic conditions and various global factors. Further, the company deals in edible oils, the prices of which are regulated by the government on a continuous basis. The products come under the Essential Commodities Act, where stocking and price levels are tightly controlled. The company's profitability is also vulnerable to the regulatory changes with respect to imported raw materials.

#### **Intense competition in the industry result in thin operating margin**

The edible oil industry in India is characterized by intense competition and fragmentation, with the presence of a large number of edible oil refineries and low entry barriers. As a result of high competition and fragmentation, profit margins in the edible oil business tend to remain thin. Sharp fluctuation in price of the main raw material, oilseeds, could also adversely impact the operating margins. Oil seeds procurement cost is also dependent on the monsoons as scarcity of monsoons could be the main reason of the sudden increase in the price.

**Analytical Approach:** Standalone



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### 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 is considered to be adequate given the average bank limit utilisation for the working capital facilities were not utilised during the last twelve months ended as on July 31, 2024. Further, the current ratio stood adequate at 1.47x as on March 31, 2024. Further, the projected GCA is expected to be sufficient against repayment obligations in medium term.

### **About the Company**

Promoted by Mr. Vijaykumar Haribhau Barkul, Rayatagro Solvex Private Limited (RSPL/company) was incorporated on October 30, 2021. Rayatagro Solvex is a Private Limited Company having its registered office located at Latur, Maharashtra. The Company deals in manufacturing of indigenous soya crude oil and de oiled cakes, used for manufacturing refined edible cooking oils and animal feed and plant fertilizers respectively. The plant is located at Osmanabad, Maharashtra. The solvent extraction plant has capacity of 500 TPD. It has manufacturing capabilities of any type of edible oils (i.e. soyabean, sunflower, ground nut oil) with a provision to increase production capacity to 700 TPD, if required. The company started its commercial operations in August 2024.

### Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	0.00	0.00
EBITDA	0.00	0.00
PAT	0.00	0.00



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Total Debt	3.50	46.55
Tangible Net Worth	0.05	9.95
EBITDA Margin (%)	NA	NA
PAT Margin (%)	NA	NA
Overall Gearing Ratio (x)	70.08	1.61
Interest Coverage (x)	-	-

\* Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:**

Sr. No.	Name of Security/Facilities	Current Ratings (2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23
					Date	Date	Date
1.	Long Term Fund Based Bank Facilities	Long Term	60.00	IVR BB+/ Stable	-	-	-

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) 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.



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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](http://www.infomerics.com).

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### Annexure 1: Instrument/Facility Details

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	Upto December 2034	35.50	IVR BB+/ Stable
Cash Credit	-	-	Revolving	14.00	IVR BB+/ Stable
Proposed Cash Credit	-	-	-	10.50	IVR BB+/Stable

### Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-rayatagro-dec24.pdf>

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

Name of the Security	Detailed Explanation
Financial Covenant	
i.	
ii.	
Non-financial Covenant	



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	i.	
	ii.	

**Annexure 4: List of companies considered for consolidated/Combined 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](http://www.infomerics.com).