Mittal Soya Protein Private Limited (MSPPL)

January 29th, 2025

Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Fund-Based Bank Facilities	52.47	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	--	Ratings Assigned	Simple
Short Term Non-Fund Based Bank Facilities	1.80	IVR A4+ (IVR A Four Plus)	--	Ratings Assigned	Simple
Long Term Proposed Bank Facilities	5.73	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	--	Ratings Assigned	Simple
Total	**Rs.60.00 crore (Rupees Sixty crore 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 MSPPL derive strengths from sustained operating income, moderate capital structure and debt protection metrics and efficient working capital cycle. 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 expected growth in revenue and profitability with experienced promotor group and expectations of stable debt protection metrics over FY25-FY27.

Key Rating Sensitivities:

Upward Factors

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

Downward Factors

- Sustained decline in revenue and profitability and/or deterioration in working capital cycle and/or any unplanned debt fund led capex leading to deterioration in credit profile and the liquidity position.

List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

Sustained operating income

The total operating income (TOI) of the MSPPL has grown by 18% in FY24 over FY23 and stood at Rs. 532.51 crore owing to improvement in sales volume with relatively lower realization. This lower realization was largely influenced by the Ministry of Consumer Affairs, Food & Public Distribution's directive dated May 04, 2023, urging a reduction in the Maximum Retail Price (MRP) of each edible oil to align with the international decline in edible oil prices. This directive put pressure on manufacturers holding high-cost inventory. However, as confirmed by the management MSPPL has achieved a revenue of Rs.425 crore in 9MFY25 which is 73% of the projected revenue based on this projection seems to be achievable.

Moderate capital structure and debt protection metrics

MSPPL has an adjusted tangible net worth of Rs. 25.54 crore as on March 31, 2024, as against Rs. 11.47 crore as on March 31, 2023. The total debt of the company stood at Rs. 50.99 crore as on March 31, 2024, from Rs. 42.19 crore as on March 31, 2023, mainly comprises of working capital borrowings and term loans. The adjusted overall gearing improved to 2x as on March 31, 2024, as against 3.68x as on March 31, 2023. Accordingly, TOL/ATNW also improved to 2.91x as on March 31, 2024, from 5.68x as on March 31, 2023, due to equity infusion, stable creation of profits to reserve and unsecured loans from promotors of Rs.10.65 crore has been considered as quasi equity as these are subordinated to borrowings of the company. The debt protection metrics with interest coverage and DSCR stood comfortable at 2.87x and 2.92x respectively in FY24. Total debt/ EBITDA stood high at 4.06x in FY24.

Efficient working capital cycle

The net operating cycle remained comfortable at 21 days at the end of FY24 mainly on account of efficient inventory policy and speedy collection days of around 24 and 11 respectively. Debtors cycle is low since majority sales is on cash basis. MSPPL has a policy to maintain a short inventory cycle with quick turn-around time thus keeping the inventory levels at 20-30 days. Working capital cycle is expected to remain efficient over the medium term.

B. Key Rating Weaknesses

Thin profitability margins

MSPPL's profitability margins stood moderate with EBITDA margin at 2.36% in FY24 improved from negative 0.25% in FY23, this was mainly due to operating leverage. In FY23 margins were negative due to inventory losses along with lower realisation led to significant deterioration in margins. PAT margin at 1.48% in FY24 (FY23: negative 1.54%), due to increase in gross profitability despite increase in interest expenses. However, the profitability continued to remain limited for the year FY25, as the MSPPL has achieved its EBITDA margin at 3.12% in 9MFY25. This marginal improvement was due to reducing direct cost and improving capacity utilisation.

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 situation and government policies. Further there is limited value additive nature of operations. The EBITDA margin remained around 1.96% and -0.25% for FY22 and FY23 and improved to 2.36% in FY24. Volatility in prices of raw materials and company ability to pass the same to the customers will remain a key rating monitorable.

Exposure to intense competition in the edible oil industry:

The edible oil industry is highly competitive with 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.1.20 crore in FY25, Rs.1.80 crore in FY26 and FY27. The current ratio stood at 1.17x as on March 31, 2024. Further, MSPPL has cash and cash equivalent of Rs.3.13 crore as on March 31st, 2024. The average fund-based bank limit utilization in the last 12 months ended December 2024 stood at 97%, the liquidity position of the company can be stated as adequate, since it is able to scale up its operations exponentially without any enhancement in the fund-based working capital limits since last many years along with a stable operating cycle.

About the company

MSPPL was incorporated in December 2020, having its Corporate Office at 204-211, Milinda Manor, 2, RNT Marg, Indore, Madhya Pradesh-452001. MSPPL engaged into the business of manufacturing of soya crude oil and de-oiled cake. The company has processing capacity of 180000 MT per year.

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

For the year ended / As On*	31-03-2023 (Audited)	31-03-2024 (Audited)
Total Operating Income	450.40	532.51
EBITDA	-1.11	12.56
PAT	-6.93	7.88
Total Debt	42.19	50.99
Tangible Net Worth	1.15	14.89
EBITDA Margin (%)	-0.25	2.36
PAT Margin (%)	-1.54	1.48
Overall Gearing Ratio (x)	45.71	4.14
Interest Coverage (x)	-0.26	2.87

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None.

Any other information: Nil

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 Fund-Based Bank Facilities	Long Term	52.47	IVR BB+/ Stable	--	--	--
Short Term Non-Fund Based Bank Facilities	Short Term	1.80	IVR A4+	--	--	--
Long Term Proposed Bank Facilities	Long Term	5.73	IVR BB+/ Stable	--	--	--

Name and Contact Details of the Rating Analyst:

Name: Amey Joshi
Tel: (022) 62396023
Email: amey.joshi@infomerics.com

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.

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 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	8.47	IVR BB+/ Stable
Long Term Bank Facilities – Cash Credit	--	--	Revolving	44.00	IVR BB+/ Stable
Short Term Bank Facilities – Credit Exposure Limit	--	--	--	1.80	IVR A4+
Long Term Bank Facilities - Proposed	--	--	--	5.73	IVR BB+/ Stable

Annexure 2: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/len-mittalsoya-jan25.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.