

Deepak Vegpro Private Limited

February 23, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	150.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	Revised from CARE BBB-; Stable / CARE A3 and moved to ISSUER NOT COOPERATING category

Details of facilities in Annexure -1.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Deepak Vegpro Private Limited (DVPL) to monitor the ratings vide e-mail communications dated February 09, 2024, February 15, 2024 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, DVPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on DVPL's bank facilities will now be denoted as **CARE BB+; Stable/CARE A4+; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

CARE has taken combined view of DVPL and its group entity VDSD Foods Private Limited (VDSD) henceforth referred to as Data Group (DGP) on account of common promoters, presence in same line of business and having operational and financial linkages amongst them.

The ratings have been revised on account of deterioration in scale of operations and profitability of DGP in FY23 (FY refers to the period from April 01 to March 31) along with non-availability of requisite information.

The ratings remained constrained on account of DGP's presence in the highly fragmented and competitive edible oil industry with threat from cheap imports, vulnerability of its profitability margins to fluctuations in the raw material prices and foreign exchange rate and pending litigations against the group.

The ratings, however, derive strength from vast experience of DGP's promoters in the edible oil industry along with synergies derived from operational linkages among group. The ratings further draw strength from strategic location of its processing units with proximity to raw material sources, comfortable capital structure albeit moderation in debt coverage indicators and adequate liquidity.

Analytical approach: Combined while factoring operational linkages with Vijay Solvex Limited (VSL). CARE has presented combined view of DVPL and VDSD after adjusting inter-company transactions to arrive at the ratings of DVPL as all these entities are in same line of business, promoted by same promoter group, are under common management as well as have operational linkages.

Outlook: Stable

CARE Ratings believes that DGP shall continue to benefit from its experienced promoters in the edible oil industry.

Detailed description of the key rating drivers

At the time of last rating on March 24, 2023 the following were the rating strengths and weaknesses (updated for the information available from the client)

Key Weaknesses

Deterioration in scale of operations and profitability in FY23

DGP's scale of operations marked by total operating income (TOI) declined by ~19% Y-o-Y and remained moderate at Rs.1,362 crore in FY23 due to decline in sales realization while volume remained largely stable. In H1FY24 as well, DGP reported TOI to Rs.615 crore.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications.

*Issuer did not cooperate; Based on best available information

PBILDT margin and PAT margin also deteriorated by 489 bps and 418 bps Y-o-Y to 1.31% and 0.75% respectively in FY23 owing to declining trend in oil prices resulting in inventory loss during the year. Also, government intervention for reducing MRP of edible oil prices [due to its essential nature] impacted the profitability while seeds prices remained volatile.

High fragmentation and competition among domestic participants due to low entry barriers within edible oils and threat from cheap imports

The Indian edible oil industry is highly fragmented with large number of players operating in organized and unorganized market attributable to low entry barriers such as low capital and low technical requirements of the business and a liberal policy regime. There is also presence of large integrated players such as Adani Wilmar Ltd., Ruchi Soya Industries Ltd. (Now Patanjali Foods Ltd), Emami Agrotech Ltd., Marico Ltd. etc. having a sizeable oil processing and packaging scale with wide distribution network with logistics and supply chain capability.

Also, imported oil from overseas market posed further competition for domestic edible oil players. However, the government time to time revises the import duties and import tariffs on crude and refined edible oils in order to protect interest of domestic extractors and refineries. On other hand, the group is major importer of crude soybean oil and any adverse change in import duty by the government would increase cost of raw material for the company and can impact profitability margins.

Vulnerability of profitability to volatility in prices of raw materials and foreign exchange fluctuations

Group uses mustard seeds as the key raw material for the extraction process whereas imported crude soya oil are used as key raw material for blended soya oil. Furthermore, mustard seeds being an agricultural commodity, prices to a certain extent are affected by various factors like monsoon during the year, area under cultivation, global pricing scenario (linked to global demand supply) and government policies leading to volatility in the same. Furthermore, profitability is vulnerable to the movement in the prices of mustard based products like mustard seeds, mustard oil cake, mustard refined oil and other substitute oils, since edible oil is a price-sensitive product.

Further, the group imports (through DVPL) crude soya oil mainly from Argentina and Brazil. The group does not have any active hedging policy for foreign currency payables; however, it uses foreign exchange forward contracts to mitigate exposure in foreign currency risk to some extent. Hence, profitability of the company is exposed to any adverse movement in foreign exchange rates on unhedged portion. The group (through DVPL) incurred foreign exchange loss of Rs.2.74 crore in FY23 as against foreign exchange loss of Rs.1.59 crore FY22.

Pending litigations against the company

As articulated by the management, the group is the registered owner of various trademark/device/logo as well as permitted user of trademark and copyright holder of the artwork of its registered trademarks, is registered with Registrar of Trade Mark and Copyright and is defending its right before the Hon'ble Courts and Tribunals, wherever the challenges against use of intellectual property rights of the Company have been made. Further, cases filed against the group under Section 397-398 of the Companies Act, 1956 are still subjudice before the Hon'ble National Company Law Tribunal, Jaipur/Kolkata which are yet to be heard finally by the NCLT.

Key Strengths

Wide experience of promoters in edible oil industry and operational synergies with group entities

Being part of Niranjana Lal Data group (NLDG), top management of DVPL and VSDS has vast experience in edible oil industry. Overall operations of both companies are managed by promoters namely Mr. Vijay Data, Mr Daya Kishan Data and Mr Saurabh Data. Mr Saurabh Data along with Mr Vijay Data looks after sales and marketing function of the group and both are also involved in strategic decision making. Mr Vijay Data has more than three decades and Mr Saurabh Data has around a decade of experience in edible oil industry. DVPL and VSDS has operational synergies with its group entities, viz., VSL. VSL purchases mustard oil cake and crude soyabean from all these group companies whereas group companies purchase refined oil from VSL. Currently, group companies met around 50% of VSL's requirement for DOC and crude mustard oil.

Strategic location of manufacturing units with proximity to raw material sources

Processing facilities of the group are located in Alwar, Rajasthan, strategically located in one of the largest mustard producing regions of India which makes it easier for the entities to access their primary raw material. The promoter group has developed good business relations with the suppliers (nearby mandis and extractors) from whom it procures its requirement of mustard seeds. Due to the proximity to raw material producing region, the group has access to mustard seeds throughout the year which makes it possible for the group to provide edible oil on demand to its customers. However, DVPL also imports crude soya oil through Kandla port (Gujarat) which is located at a far distance from DGP's plant.

Comfortable capital structure albeit moderation in debt coverage indicators

The Capital structure of DGP improved over the previous year on the back of significant decrease in working capital borrowings and remained comfortable with overall gearing of 0.55 times as on March 31, 2023 [PY: 1.02 times]. Consequently, TOL/TNW of the group also improved from 1.22 times as on March 31, 2022 to 0.62 times as on March 31, 2023. The group's tangible net worth continued to remain moderate at 218.65 crore as on March 31, 2023. DVPL has invested or given loans and advances to associate / group companies to the tune of Rs.39.10 crore as on March 31, 2023. Even after adjusting the same from tangible net worth, adjusted gearing of the group remained comfortable at 0.67 times as on March 31, 2023 [PY: 1.25 times].

Debt coverage indicators of the group deteriorated in tandem with profitability and remained moderate with interest coverage ratio of 4.34 times [PY: 50.28 times] and total debt to GCA of 8.79 times [PY: 2.52 times] in FY23.

Liquidity: Adequate

DGP's liquidity remained adequate marked by low utilization of its fund-based working capital limits, though non-fund based working capital limits utilization remained moderate, healthy cash flow from operations (CFO) coupled with moderate cash accruals against nil debt repayments along with healthy liquid funds.

The group's CFO increased significantly from negative Rs.49.26 crore in FY22 to Rs.246.17 crore in FY23 owing to release of funds from working capital. Also, DGP had moderate cash accruals of Rs.13.64 crore in FY23 as against nil long-term debt repayments. Average utilization of the group's fund-based working capital limits remained low at ~1% p.a. for last 12 months ending November 2023, however, utilization of non-fund-based limits remained moderate at around 51% p.a. during the same period. The operating cycle remained comfortable at 28 days in FY23. The group had unencumbered cash and bank balance of Rs.62.87 crore as on March 31, 2023.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

[Consolidation](#)

[Factoring Linkages Parent Sub JV Group](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

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[Short Term Instruments](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Edible Oil

Alwar (Rajasthan) based Deepak Vegpro Private Limited (DVPL; CIN: U15134RJ1994PTC008689) was incorporated in 1994 by Mr. Niranjan Lal Data and family. Subsequently, Data family incorporated VDSD in January, 2020 which got operationalized in March, 2021. Hence, both companies belong to Data group and is engaged in manufacturing of mustard oil and mustard oil cake from mustard seeds as well as trading of crude and refined edible oil. VDSD has oil milling capacity of 400 MTPD as on March 31, 2022. The companies sells Mustard Oil Cake (MOC) to group company, VSL which is the flagship company of Data Group in Oil segment. The companies also sells refined blended edible oils. DVPL is also engaged in wind power generation for captive consumption. Oil Mill plant of DVPL company is located in Alwar (Rajasthan) and had seed crushing capacity of around 50,000 Tonnes per Annum (TPA) as on March 31, 2021, though it has closed its oil milling operations in the year ended on March 31, 2022 and currently engaged into packaging and distribution of branded edible oil. DVPL and VDSD get refining of crude soya oil done from VSL on job work basis.

DVPL (Standalone):

Brief Financials (Rs. crore)	FY22 (A)	FY23 (A)	H1FY24 (UA)
Total operating income	1416.36	1211.84	452.51
PBILDT	70.76	11.94	NA
PAT	51.69	9.23	3.03
Overall gearing (times)	0.31	0.35	0.44
Interest coverage (times)	81.81	15.66	NA

A: Audited; UA: Unaudited; NA: Not Available; Note: 'the above results are latest financial results available'

Combined Financials of DGP:

Brief Financials (Rs. crore)	FY22 (UA)	FY23 (UA)	H1FY24 (UA)
Total operating income	1689.55	1362.21	614.81
PBILDT	104.81	17.87	NA
PAT	83.30	10.27	4.98
Overall gearing (times)	1.02	0.55	0.60
Interest coverage (times)	50.28	4.34	NA

UA: Unaudited as the financials of DVPL, DOS and VDS in FY22 and DVPL and VDS in FY23 and H1FY24 are combined by CARE for analytical purpose; NA: Not Available; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: CRISIL has suspended its rating vide press release dated September 28, 2012 on account of non-cooperation by DVPL with CRISIL's efforts to undertake a review of the outstanding ratings.

Any other information: Not applicable

Rating history for last three years: Please refer to Annexure-2

Covenants of rated facilities: Detailed explanation of covenants of rated facilities is given in Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT/ ST-Cash Credit	-	-	-	-	50.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-Letter of credit	-	-	-	-	100.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT/ ST-Working Capital Demand loan	LT/ST*	-	-	-	1)Withdrawn (24-Mar-23) 2)CARE BBB-; Stable / CARE A3 / CARE A3	1)CARE BBB-; Stable / CARE A3 (08-Feb-22)	1)CARE BBB-; Stable / CARE A3 (06-Jan-21)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
						(06-Jan-23)	2)CARE BBB-; Stable / CARE A3 (06-Jan-22)	
2	Non-fund-based - LT/ ST-Letter of credit	LT/ST*	100.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable / CARE A3 (24-Mar-23) 2)CARE BBB-; Stable / CARE A3 (06-Jan-23)	1)CARE BBB-; Stable / CARE A3 (08-Feb-22) 2)CARE BBB-; Stable / CARE A3 (06-Jan-22)	1)CARE BBB-; Stable / CARE A3 (06-Jan-21)
3	Fund-based - LT/ ST-Cash Credit	LT/ST*	50.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable / CARE A3 (24-Mar-23) 2)CARE A3 (06-Jan-23)	1)CARE A3 (08-Feb-22) 2)CARE A3 (06-Jan-22)	1)CARE A3 (06-Jan-21)

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated facilities

Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-Cash Credit	Simple
2	Non-fund-based - LT/ ST-Letter of credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings Limited has classified instruments rated by it on the basis of complexity. This classification is available at www.careedge.in. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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