

## Vijay Solvex Limited

February 23, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	27.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	Revised from CARE BBB; Stable and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	60.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	Revised from CARE BBB; Stable / CARE A3+ and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	83.00	CARE A4+; ISSUER NOT COOPERATING*	Revised from 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 Vijay Solvex Limited (VSL) 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, VSL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on VSL'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.**

The ratings have been revised on account of deterioration in scale of operations and profitability in FY23 (FY refers to the period from April 01 to March 31) as well as 9MFY24 along with operating loss reported in 9MFY24 and non-availability of requisite information.

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

The ratings, however, derive strength from wide experience of its promoters in edible oil industry coupled with its operational synergies with group entities, comfortable capital structure albeit moderation in debt coverage indicators and adequate liquidity. The ratings also factor in strategic location of its manufacturing unit with proximity to raw material sources.

**Analytical approach:** Standalone with factored in operational linkages with group companies [i.e. Deepak Vegpro Private Limited (DVPL) and VDSD Foods Private Limited (VDSD)]. VSL has other group entities which are engaged in same line of business and have strong operational linkages.

### Outlook: Stable

CARE Ratings believes that VSL 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 January 06, 2023 the following were the rating strengths and weaknesses (updated for the information available from the client and stock exchange)

#### Key Weaknesses

##### **Deterioration in scale of operations and profitability in FY23 and 9MFY24**

VSL's total operating income (TOI) decreased by ~11% Y-o-Y to Rs.2,430 crore in FY23 on account of lower sales realization due to decreasing price trend in edible oil price, while sales volume increased by ~7% Y-o-Y. In 9MFY24, VIL's TOI further moderated by 21% Y-o-Y to Rs.1,426 crore.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications.

\*Issuer did not cooperate; Based on best available information

Profitability of the company also moderated marked by decrease in PBILDT margin and PAT margin by 178 bps and 138 bps Y-o-Y to 0.74% and 0.62% respectively owing to declining trend in oil prices resulting in inventory loss during the year. Consequently, cash accruals decreased significantly and remained moderate at Rs.18.68 crore in FY23 [PY: Rs.57.45 crore]. In 9MFY24, VSL reported operating loss of Rs.1.02 crore as against operating profit of Rs.22.59 crore in 9MFY23 owing to continued decreasing price trend.

***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, VSL 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:***

VSL uses mustard seeds and oil cakes as the key raw material for the extraction process whereas crude oil extracted from mustard oil cakes and imported crude soya oil are used as key raw material for refined mustard oil and blended soya oil respectively. 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 and mustard DOC, mustard refined oil and other substitute oils, since edible oil is a price-sensitive product.

Further, VSL imports crude soya oil mainly from Argentina and Brazil (directly as well as through group entities). The company 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 certain extent as per market scenario. Hence, profitability of the company is exposed to any adverse movement in foreign exchange rates on unhedged portion. VSL incurred foreign exchange loss of Rs.3.00 crore in FY23 as against foreign exchange gain Rs.3.34 crore FY22.

***Pending litigations against the company:***

As articulated by the management, VSL is the registered owner of 'Scooter' trademark/device/logo and copyright holder for the artwork of SCOOTER Wavy device which 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 'Scooter' and /or any other intellectual property rights of the Company have been made. Further, during FY10, some shareholders had moved petition before National Company Law Tribunal (NCLT; erstwhile Company Law Board) under Section 397-398 of the Companies Act, 1956 for mismanagement of affairs of the company. The said case is still subjudice before the Hon'ble National Company Law Tribunal, Jaipur/Kolkata which is yet to be heard finally by the NCLT. Furthermore, the company has outstanding receivable of Rs.0.80 crore held with enforcement directorate, against matter pending before Appellate Authority (PMLA) New Delhi under Prevention of Money Laundering Act, 2002 (PMLA).

**Key Strengths**

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

Being part of Nirajan Lal Data group (NLDG), top management of VSL has vast experience in edible oil industry. Mr Vijay Data, Managing Director, has more than three decades of experience in edible oil industry and looks after day to day operations of edible oil division. Mr. Daya Kishan Data, whole time director and Mechanical Engineer by qualification, has more than two decades of experience and looks after ceramic division of the company. VSL has operational synergies with its group entities, viz., DVPL and VDSD. VSL purchases mustard oil cake and crude soyabean from group companies whereas partly sells refined oil through group companies.

***Comfortable capital structure albeit moderate debt coverage indicators:***

VSL's capital structure remained comfortable with an overall gearing of 0.13 times as on March 31, 2023 as against 0.55 times as on March 31, 2022 owing to substantial decrease in working capital borrowings. Consequently, TOL / TNW of the company also decreased from 0.70 times as on March 31, 2022 to 0.28 times as on March 31, 2023. Tangible net worth of VIL

augmented on the back of accretion of profit into reserves and remained moderate at Rs.281.36 crore as on March 31, 2023. VSL has invested or given loans and advances to associate / group companies to the tune of Rs.60.80 crore as on March 31, 2023 [PY: Rs.67.58 crore]. Even after deducting the same from tangible net worth, adjusted overall gearing of VSL remained comfortable at 0.17 times as on March 31, 2023 [PY: 0.74 times].

Debt coverage indicators of the company deteriorated in tandem with profitability, however, it continued to remain comfortable as marked by interest coverage ratio of 4.89 times [PY:29.99 times] and TDGCA of 2.01 times [PY: 2.57 times] in FY23. Interest coverage further deteriorated in 9MFy24 on the back of operating loss reported.

**Strategic location of manufacturing units with proximity to raw material sources:**

VSL's processing facilities are located at Alwar, Rajasthan, strategically located in one of the largest mustard producing regions of India which makes it easier for the company to access its primary raw material. The promoters of VSL have developed good business relations with the suppliers (nearby mandis and extractors) from whom it procures its requirement of mustard seeds and oil cakes. Due to the proximity to raw material (mustard seed and Mustard Oil Cake) producing region, VSL has access to mustard seeds and oil cakes throughout the year which makes it possible for VSL to provide oil and DOC on demand to its customers. However, the company also imports crude soya oil through Kandla port (Gujarat) which is located at a long distance from VSL's plants.

**Liquidity:** Adequate

VSL's liquidity remained adequate marked by healthy liquid funds and moderate liquidity ratio coupled with low utilization of fund-based working capital limits, though non-fund based working capital limits utilization remained moderate and moderate cash accruals against negligible debt repayments.

VSL's gross cash accruals remained at Rs.18.68 crore in FY23 with no major long-term debt repayments except lease obligation in FY24. Average utilization of its fund-based working capital limits remained low at less than 1% p.a. for last 12 months ending November 2023, however, utilization of non-fund-based limits remained moderate at around 47% p.a. during same period. The operating cycle of the company continued to remain short at 8 days in FY23 which was in line with the previous year. VSL's cash flow from operations (CFO) decreased from positive Rs.74.18 crore to negative Rs.15.69 crore with significant decrease in operating profit. Short term investments (including cash and bank balance) continued to remain healthy at Rs.104.25 crore as on March 31, 2023 [PY: Rs.153.31 crore].

**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](#)

[Factoring Linkages Parent Sub JV Group](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[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 VSL (CIN: L15142RJ1987PLC004232) was incorporated in 1987 by Mr. Niranjana Lal Data and family and it is the flagship company of NLDG and is engaged in processing of crude and refined edible oil, Vanaspati Ghee and mustard oil cake from mustard seeds. The company sells De-oiled cake (DOC); a by-product produced through further processing of mustard oil cake. The company also sells refined blended edible oils. The solvent extraction plant and refinery of the company are located in Alwar (Rajasthan) and have solvent extraction capacity of around 147,000 Tonnes per Annum (TPA) and refining & vanaspati ghee manufacturing capacity of 105,000 TPA as on March 31, 2022. The group sells edible oil in the domestic market through more than 150 distributors mainly in North East, Bihar, Rajasthan, Haryana and Delhi under the

established brand names of 'Scooter', 'Chancellor', 'Oligo', 'Shiv', 'Sikandar', 'Neeraj' and 'Hanuman'. VSL is also engaged in wind power generation, manufacturing of fine bone china crockery and High Tension (HT) porcelain insulators. Manufacturing facilities for Ceramic division is located in Jaipur whereas Wind mill is installed in Jaisalmer, Rajasthan with power generation capacity of 2.30 Megawatt (MW). Group has also promoted DVPL and VDSO, engaged manufacturing of mustard oil and trading of crude and refined edible oil with operational linkages with VSL.

Brief Financials (₹ crore)	FY22 (A)	FY23 (A)	9MFY24 (UA)
Total operating income	2715.54	2430.13	1426.28
PBILDT	68.33	17.89	-1.02
PAT	54.14	15.03	-4.33
Overall gearing (times)	0.55	0.13	NA
Interest coverage (times)	29.99	4.89	-1.01

A: Audited; UA: Unaudited; 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 VSL 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-Cash Credit	-	-	-	-	27.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT/ST-Cash Credit	-	-	-	-	60.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*
Fund-based - ST-Term loan	-	-	-	31/03/2023	20.00	CARE A4+; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit	-	-	-	-	63.00	CARE A4+; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

#### 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-Cash Credit	LT	27.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB; Stable (06-Jan-23)	1)CARE BBB; Stable (08-Feb-22)	1)CARE BBB; Stable (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
							2)CARE BBB; Stable (06-Jan-22)	
2	Non-fund-based - ST-Letter of credit	ST	63.00	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A3+ (06-Jan-23)	1)CARE A3+ (08-Feb-22) 2)CARE A3+ (06-Jan-22)	1)CARE A3+ (06-Jan-21)
3	Fund-based - ST-Term loan	ST	20.00	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A3+ (06-Jan-23)	1)CARE A3+ (08-Feb-22) 2)CARE A3+ (06-Jan-22)	1)CARE A3+ (06-Jan-21)
4	Fund-based - LT/ST-Cash Credit	LT/ST*	60.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE BBB; Stable / CARE A3+ (06-Jan-23)	-	-

\*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-Cash Credit	Simple
2	Fund-based - LT/ ST-Cash Credit	Simple
3	Fund-based - ST-Term loan	Simple
4	Non-fund-based - 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](http://www.careedge.in). Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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### About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

### Disclaimer:

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