

## Khedut Solvexp Private Limited (Revised)

December 04, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	3.43	CARE BB-; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB; Stable and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	45.00	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*	LT rating downgraded from CARE BB; Stable and ST rating reaffirmed and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

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

### Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Khedut Solvexp Private Limited (KSPL) to monitor the ratings vide e-mail communications dated November 22, 2024; November 21, 2024; October 21, 2024; May 17, 2024, amongst 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. (CARE Ratings) has reviewed the rating on the basis of the best available information which however, in CARE Ratings' opinion is not sufficient to arrive at a fair rating. Further, KSPL has not paid the surveillance fees for the rating exercise agreed to in its rating agreement. In line with the extant SEBI guidelines, CARE Rating Limited's rating on KSPL'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 rating(s).**

Ratings have been revised on account of non-availability of the requisite information to conduct the review.

Ratings assigned to the bank facilities KSPL are constrained on account of the modest profitability, the susceptibility to the volatility in oil prices, the leveraged capital structure, and its presence in a competitive industry.

Ratings, however, derives strength from the vast experience of the promoters in the industry, its established track record in groundnut seed processing, and its moderate scale of operations.

**Analytical approach:** Standalone

**Outlook:** Stable

The stable outlook reflects CARE Ratings' expectation that the company is likely to sustain its scale of operations along with the sustenance of its debt coverage indicators in the near to medium term

### Detailed description of key rating drivers:

At the time of last rating on November 03, 2023, the following were the rating strengths and weaknesses considered (updated for the audited financials of FY24).

#### Key weaknesses

##### Leveraged capital structure and moderate debt coverage indicators

The capital structure of KSPL remains leveraged, marked by an overall gearing ratio of 1.93x as on March 31, 2024 (2.88x as on March 31, 2023). Furthermore, the debt coverage indicators also remain weak, marked by an interest coverage ratio (ICR) and total debt to gross cash accruals (TDGCA) of 1.33x and 30 years, respectively, during FY24 (1.61x and 21 years, respectively, during FY23) and is expected to remain moderate on account of the low profitability.

##### Thin profitability

KSPL's operates in thin profitability marked by PBILDT margin of 2.46% during FY24 (FY23: 2.22%). The thin profitability is on account of limited value addition. Profit-after-tax (PAT) margin of KSPL remained very low at 0.10% in FY24 (FY23: 0.48%) mainly due to high finance cost. In line with this, KSPL's GCA remained moderate at ₹1.69 crore in FY24 (FY23: ₹3.52 crore).

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

### **Presence in a competitive and fragmented industry with inherent risk associated with volatility in prices of agro-commodities**

India is one of the major groundnuts producing countries and among the leading countries exporting groundnut-related products. The groundnut business in India is characterised by a high degree of competition, resulting from high fragmentation due to the low entry barriers and low capital intensity of the business. Thus, the profitability is inherently thin and is further exposed to movements in the prices of groundnut seeds and finished goods (mainly de-oil cake [DOC] and groundnut refined oil). The prices of groundnuts are determined on the basis of the demand and supply of groundnut seeds, which in turn, depends upon the rainfall and area under cultivation, and thus, remain volatile. Furthermore, the prices also reflect the minimum support price (MSP) and other incentives offered by the Government of India (GOI), the international demand-supply gap, and the weather conditions in major groundnut growing nations, and hence, remain volatile.

Moreover, the consumption of refined groundnut oil also depends on its price differential with other edible oils to an extent. Hence, any increase in the seed prices without a corresponding increase in refined oil prices can adversely impact KSPL's profitability margins.

### **Key strengths**

#### **Moderate scale of operations**

The total operating income (TOI) of the company remained moderate at ₹332.46 crore in FY24 as against ₹469.65 crore in FY23.

#### **Established operations in seed processing**

The product portfolio of KSPL largely includes DOC and refined oil. DOC is mainly used as feedstock and has application in the soap industry. The company sells its refined oil in the local market, largely in bulk. Furthermore, KSPL exports its products depending upon the market parity.

#### **Experienced and resourceful promoters in agro-processing industries**

Dhirajlal Desai, Director, has an experience of more than four decades in the agro-processing industry. Sagar Desai, Director, son of Dhiraj Desai, who joined the company in 2014, also has a decade-long experience in the similar line of business and looks after the overall operations of the company. The promoters have continuously infused equity and unsecured loans to support the overall operations of KSPL.

### **Applicable criteria**

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

### **About the company and industry**

#### **Industry classification**

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Edible Oil

Incorporated in 1991, KSPL was initially promoted by Jila Sangh, Government of Gujarat. Later, in 1993, KSPL was acquired by Dayalal N Patel and Tushar D Patel and is currently managed by Dhiraj Desai along with his son, Sagar Desai.

KSPL is engaged in the processing and manufacturing of refined oil and DOC through the solvent extraction method. The company undertakes solvent extraction for various seeds such as groundnut seeds (mainly), rapeseeds, etc, at its processing facility located at Gondal near Rajkot, Gujarat. KSPL has an installed capacity of 425 metric tonne per day (MTPD) for seed crushing and 132 MTPD for oil refining as on March 31, 2023.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	469.65	332.46	NA
PBILDT	10.43	8.17	NA
PAT	2.24	0.32	NA
Overall gearing (times)	2.88	1.93	NA
Interest coverage (times)	1.61	1.33	NA

A: Audited UA: Unaudited; NA: Not available; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** India Ratings had reviewed ratings of KSPL under "Issuer Not Co-operating" category vide its press release dated March 14, 2024, on account of its inability to carry out a review in the absence of the requisite information from the company.

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT/ST-Cash Credit	-	-	-	-	45.00	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*
Term Loan-Long Term	-	-	-	31-August-2024	3.43	CARE BB-; Stable; 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 2024-2025	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
1	Term Loan-Long Term	LT	3.43	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (03-Nov-23)	-	-
2	Fund-based - LT/ST-Cash Credit	LT/ST	45.00	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable / CARE A4 (03-Nov-23)	-	-

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

LT: Long term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/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	Term Loan-Long Term	Simple

**Annexure-5: Lender details**

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

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

**Contact us**

Media Contact	Analytical Contacts
<p>Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a></p> <p><b>Relationship Contact</b></p> <p>Ankur Sachdeva Senior Director <b>CARE Ratings Limited</b> Phone: 912267543444 E-mail: <a href="mailto:Ankur.sachdeva@careedge.in">Ankur.sachdeva@careedge.in</a></p>	<p>Kalpesh Ramanbhai Patel Director <b>CARE Ratings Limited</b> Phone: 079-40265611 E-mail: <a href="mailto:kalpesh.patel@careedge.in">kalpesh.patel@careedge.in</a></p> <p>Jignesh Trivedi Assistant Director <b>CARE Ratings Limited</b> Phone: 079-40265631 E-mail: <a href="mailto:jignesh.trivedi@careedge.in">jignesh.trivedi@careedge.in</a></p> <p>Bhaumik Shah Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:Bhaumik.shah@careedge.in">Bhaumik.shah@careedge.in</a></p>

**About us:**

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