

## Shri Ram Solvex

January 06, 2025

| Facilities/Instruments    | Amount (₹ crore) | Rating <sup>1</sup>                      | Rating Action                                   |
|---------------------------|------------------|--|---|
| Long Term Bank Facilities | 49.28            | CARE BB; Stable; ISSUER NOT COOPERATING* | Rating 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 revised the ratings assigned to the bank facilities of Shri Ram Solvex (SRS) to CARE BB; Stable; Issuer Not Cooperating. CARE Ratings Ltd. has been seeking information from SRS to monitor the ratings vide e-mail communications/letters dated December 30, 2024, December 24, 2024, and December 20, 2024 and numerous phone calls. However, despite our repeated requests, the firm 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.

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

The revision in ratings, factors in non-cooperation by SRS and CARE's efforts to undertake a review of the outstanding ratings. CARE considers the non-availability of the information as a key factor in its assessment of credit risk. The ratings assigned to the bank facilities of Shri Ram Solvex (SRS) is constrained by moderate scale of operations with thin margins, levered capital structure, fragmented and competitive nature of the industry and inherent risk associated with constitution of the firm.

The rating is, however, derives strength from the experienced promoters, favourable location of the plant, moderate operating cycle and diversified customer base leading to low customer concentration risk.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Scaling up of operations, with operating income growing to more than Rs.450 crores coupled PBILDT margin around 2% on sustained basis.
- Improvement in capital structure as reflected by overall gearing below 1.50 times

#### Negative factors

- Deterioration in Total operating income below Rs.150 crore
- Deterioration in overall gearing above 4 times

**Analytical approach:** Standalone

### Outlook: Stable

The "Stable" outlook reflects that the entity is likely to benefit from its established relationship with the customers/suppliers and sustain the financial risk profile with experienced partners.

### Detailed description of key rating drivers:

#### Key weaknesses

#### Moderate Scale of operations with thin margins

The operating performance of the firm moderated in FY24 by 10% mainly on account of low prices of edible oil and D.O.R.B. In FY24, TOI of the firm stood at Rs.352.89 crore from Rs.392.96 crore in FY23. The profitability margins of the firm improved however remain thin as reflected from PBILDT margin and PAT margin at 1.67% and 0.45 % in FY24, against 1.04% and 0.36% in FY23 respectively. Improvement in profitability was on account of better realisation from paddy straw as firm started to produce

<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.

paddy straw through recently added balers which reduced their total cost. Also, in FY24, prices of paddy straw increased due to the floods witnessed in the various regions.

Gross cash accruals of the company also improved from Rs.1.81 crore in FY23 to Rs.2.84 crore in FY24 owing to better profitability during the year. During 6MFY24, the firm has generated revenue from operations of Rs ~105 crores.

#### **Moderately leveraged capital structure and debt coverage indicators**

The capital structure of the firm remained moderately levered with overall gearing and debt equity ratio at 3.94x and 0.62x respectively as on March 31, 2024, as compared to 1.63x and 0.38x as on March 31, 2023. The deterioration was mainly on account of term loan availed for the purchase of new balers and unsecured loans infused in the firm during FY24. In FY24, total USLs stood at Rs.39.74 crore as against Rs.7.44 crore in FY23. Out of the total USLs, group associate SALE Agri commodities Limited has infused Rs.36.43 crore as interest free USLs to meet the working capital requirements of the firm. Out of total USLs, Rs. 10.72 crore has been considered as quasi equity as per sanctioned terms.

TOL/TNW of the firm stood at 7.14x in FY24 as against 3.17x in FY23. The interest coverage ratio stood at ~1.76x in FY24 similar to 1.74x in FY23, owing to improvement in the profitability of the firm though with increase in the new term loans for balers in FY24. Total debt to Gross accruals of the group stood high at 26.24 in FY24 as against 13.20 in FY23.

#### **Inherent Risk associated with the constitution of firm**

The firm being a partnership firm is exposed to inherent risk of capital withdrawal by partners due its nature of constitution. Any substantial withdrawals from capital account would impact the net worth and thereby the gearing levels.

#### **Fragmented and competitive nature of industry**

The commodity nature of the product makes the industry highly fragmented, with numerous players operating in the unorganized sector with very less product differentiation. Furthermore, the concentration of players around the paddy growing regions makes the business intensely competitive.

### **Key strengths**

#### **Experienced partners and long track record of operations**

SRS is promoted by Mr. Kuldeep Singh, Mr and Vikas Basandrai in 2005. Both the partners have vast experience of more than a decade in the solvent extraction and edible oil business. The firm has a long track record of business that helps them to maintain a better relationship with their customers and suppliers as well. Furthermore, the partners are assisted by a team of experienced professionals in managing the firm's daily business operations.

#### **Favourable location of the plant**

Firm's manufacturing unit is in Guru har sahai, Ferozepur (Punjab). The area is one of the hubs for paddy cultivation, leading to its easy availability of raw material i.e. Rice Bran. Firm procures rice bran primarily from nearby states of Haryana, Punjab etc. The presence of firm's manufacturing unit in vicinity to the paddy producing regions gives it an advantage over competitors in terms of easy availability of the raw material as well as favourable pricing terms. The unit is also at a proximity to the grain market resulting in easy and ample procurement at competitive rates. Further, operating in an established rice belt, the firm has access to many suppliers.

#### **Diversified customer base leading low customer concentration risk**

Over the years, SRS has established good relations with its customers which has helped to generate repeat orders from these customers. SRS's has a diversified customer base as edible oil sale based on the orders from the refineries and DORB sale is based on the tenders from government dairies. Further paddy stack bales will be sold majorly to SAEL (more than 80%) as per the contract. With diverse customer portfolio, firm has better negotiating power with suppliers and other stakeholders, as it is not overly dependent on a small number of clients.

#### **Moderate operating cycle**

The operating cycle of the firm stands small but elongated at 53 days in FY24 as compared to from 28 days in FY23, this deterioration was majorly due to increase in average collection period and inventory days. Average Collection period has elongated to 40 days in FY24 as against 15 days in FY23 mainly on account of large order dispatched in March to SAEL Unit 10, SAEL Kaithal Renewal Energy Private Limited and SAEL Jalkheri with payment terms of 45 days which lead to increase in debtors by ~Rs.52.14 crore. Average inventory days elongated to 57 days in FY24 against 27 days in FY23. Due to new baler machines along with prevailing demand in the market, inventory levels increased during FY24, further firm is expecting better sales in FY25 on account of the better market scenario.

Firm has availed sanctioned cash credit limit of Rs.35.75 crore only as against the total operating income of Rs.352.89 crore in FY24 on account of the same utilisation remains high at ~90-95% in last 12 months to support its business operations.

### Liquidity: Stretched

The liquidity position of the company remained stretched as reflected by almost full utilisation of working capital limits in last 12 months. Further in FY24, company has generated gross cash accruals of Rs.2.84 crore which is expected to improve in near future vis-à-vis debt repayment obligation of Rs.2.99 crore in FY25. Further current and quick ratios of firm stood at 1.15x and 0.56x respectively as on March 31, 2024, as compared to 1.43x and 0.61x, respectively, as on March 31, 2023.

### Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

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

[Financial Ratios – Non financial Sector](#)

### About the firm and industry

#### Industry classification

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

Punjab-based, Shri Ram Solvex (SRS) is a partnership firm which was established in August 2005 and commenced its operations in December 2005. SRS is engaged in the extraction of rice bran oil and processing of de-oiled cakes. The firm is managed by 2 partners Vikas Basanrai and Kuldeep Singh, both sharing profits in the ratio as 55:45 and having an experience of more than a decade in the Food processing industry. The firm has two manufacturing plants, out of which one is owned and the other is on lease basis. The leased plant is taken from Sukhbir Agro Energy Ltd (SAEL) which is renewed every year. The firm has installed capacity of 300 TPD (tonnes per day) as on Sep 30, 2024 in Solvex unit and in Unit 2 firm has recently added 3 balers which added paddy straw capacity of 30000 tonnes per annum.

Firm is running two division one is for edible oil & DORB and second is paddy straw. During FY24, company traded the paddy straw amounting ~Rs.189 crore against Rs. 163 crore in FY23.

| Brief Financials (₹ crore) | March 31, 2023 (A) | March 31, 2024 (A) | H1FY25 (UA)   |
|----------------------------|--------------------|--------------------|---------------|
| Total operating income     | 392.96             | 352.89             | 105.00        |
| PBILDT                     | 4.09               | 5.89               | Not Available |
| PAT                        | 1.40               | 1.60               | Not Available |
| Overall gearing (times)    | 1.63               | 3.94               | Not Available |
| Interest coverage (times)  | 1.74               | 1.76               | Not Available |

A: Audited UA: Unaudited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Brickwork has continued the ratings assigned to the bank facilities of Shri Ram Solvex as "Issuer Not Co-operating" vide its press release dated February 09, 2024 on account of its inability to carryout review in the absence of 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 (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook       |
|-----------------------------|------|-------------------------------|-----------------|----------------------------|-----------------------------|--|
| Fund-based - LT-Cash Credit |      | -                             | -               | -                          | 35.75                       | CARE BB; Stable; ISSUER NOT COOPERATING* |
| Fund-based - LT-Term Loan   |      | -                             | -               | August 2033                | 13.53                       | 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       | Fund-based - LT-Cash Credit            | LT              | -                            | -  | -   | 1)CARE B-; Stable; ISSUER NOT COOPERATING* (11-Sep-23)<br>2)Withdrawn (11-Sep-23) | 1)CARE B-; Stable; ISSUER NOT COOPERATING* (16-Nov-22) | 1)CARE B-; Stable; ISSUER NOT COOPERATING* (08-Oct-21) |
| 2       | Fund-based - LT-Term Loan              | LT              | 13.53                        | CARE BB; Stable; ISSUER NOT COOPERATING* | 1)CARE BB; Stable (06-Nov-24)               | 1)CARE BB; Stable (08-Dec-23)   | -  | -  |
| 3       | Fund-based - LT-Cash Credit            | LT              | 35.75                        | CARE BB; Stable; ISSUER NOT COOPERATING* | 1)CARE BB; Stable (06-Nov-24)               | 1)CARE BB; Stable (08-Dec-23)   | -  | -  |

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

LT: Long 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-Cash Credit | Simple           |
| 2       | Fund-based - LT-Term Loan   | 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.

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### About us:

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