

## Phatak Solvent Private Limited

April 28, 2025

| Facilities/Instruments                 | Amount (₹ crore) | Rating <sup>1</sup>        | Rating Action |
|--|------------------|----------------------------|---------------|
| Long Term Bank Facilities              | 30.30            | CARE BB-; Stable           | Assigned      |
| Long Term / Short Term Bank Facilities | 1.70             | CARE BB-; Stable / CARE A4 | Assigned      |

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to bank facilities of Phatak Solvent Private Limited (PSPL) are tempered on account of modest scale of operations, susceptibility of margins owing presence in highly volatile agro-commodity business coupled with highly fragmented and intensely competitive landscape and leveraged capital structure. The ratings, however, derive comfort from the experience of the promoter in the industry and location advantage emanating from proximity to raw materials.

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

#### Positive factors

- Growth in scale of operations above Rs. 250 crores and maintenance of profit before interest, lease rentals, depreciation and taxes (PBILDT) margins above 5% on a sustained basis
- Gross cash accruals of over Rs. 3 crores on a sustained basis
- Improvement in total outside liabilities to tangible net worth (TOL/TNW) metric to below 3.00x on a sustained basis

#### Negative factors

- Deterioration in scale of operations below Rs. 100 crore or PBILDT margins below 2.00% on a sustained basis
- Decline in TOL/TNW metric to above 6.50x

### Analytical approach: Standalone

#### Outlook: Stable

'Stable' outlook reflects CARE Ratings Limited's (CARE Ratings') opinion that the company is expected to benefit from the experience of the promoters the medium term.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Modest scale of operations with thin profitability margins

The company's commercial operations began operation began in FY23 and its scale of operations remained small with Rs. 9.95 crores of turnover. FY24 was the company's first full fiscal year of operations, and the company achieved Rs. 123.11 crores sales. PSPL's operating profitability marked by PBILDT margins stood at 2.34% in FY24. The margins are exposed to volatility of the prices of soyabean. Furthermore, in the absence of any proprietary value-added products, the margins are expected to remain thin going forward.

##### Leveraged capital structure with moderate coverage indicators

As on March 31, 2024, PSPL's total debt stood at Rs. 31.92 crores, which comprises term loan of Rs. 16.39 crore, working capital borrowings of Rs. 9.86 crore, and unsecured loans from promoters of Rs. 5.67 crore. The capital structure of the company stands leveraged as on March 31, 2024, marked by overall gearing at 5.19x considering small net worth base of Rs. 6.15 crore and high debt levels. The company's capital structure is expected to remain leveraged in the medium term owing to long term loans and working capital borrowings (sanctioned limit of Rs. 15 crores). As a result of high debt levels and thin profitability, PSPL's coverage indicators marked by total debt/PBILDT and total debt/gross cash accruals remained high at 11.07x and 11.68x respectively as on March 31, 2024.

##### Vulnerability of margins owing to presence in the highly volatile agro-commodity business

Soyabean crop availability is influenced by agro-climatic conditions and cropping patterns, making PSPL's margins sensitive to climatic variations, which could affect the overall operations. Additionally, raw material prices are affected by the Minimum Support Price (MSP) and government incentives. If seed prices rise without a corresponding increase in the prices of de-oiled cake and edible crude oil, the company's profitability could be negatively impacted.

<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 highly competitive and fragmented industry

The edible oil industry in India is characterized by a high degree of competition, resulting from high fragmentation due to the low entry barriers and low capital intensity of the business. Thus, inherently thin profitability is further exposed to movement in prices of soyabean seed, finished goods (mainly De-Oiled Cake and soya oil), and other substitute oils. The consumption of refined soya oil depends on its price differential with other edible oils. Unfavourable price differential for refined soya oil against refined palm oil over the past few years has led to a gradual increase in the consumption of refined palm oil by the price-sensitive customers.

### Key strengths

#### Experience of the promoters

The promoters bring more than 40 years of experience in agricultural commodities trading, with Mr. Shashikant Phatak being in this industry since 1978. Their understanding of industry dynamics has helped them build relationships with suppliers and customers in the region, which aids them in securing quality raw materials at competitive prices. The promoters plan to apply this expertise in the production of crude oil and de-oiled cake from soybean.

#### Proximity to raw material sources

PSPL has its operational set up in Osmanabad (in south east Maharashtra). Maharashtra is one of the leading states in the country for cultivation of the soya crop. Owing to its presence in Maharashtra, there is sufficient supply of raw materials, and the company is expected to experience advantages associated with such proximity.

#### Liquidity: Stretched

The liquidity of PSPL is stretched marked by low cash accruals of Rs. 2.73 crores as on March 31, 2024, against scheduled debt repayment obligations of ~Rs. 2.10 crores in FY25, and Rs. 2.40 crore in FY26. Furthermore, the average utilization of the working capital limits has been ~90% in the previous eleven months ended February 2025. However, comfort can be drawn from the comfortable operating cycle of 21 days in FY24, and gross current asset days reported at 51 days as on March 31, 2024. The probable elongation in working capital cycle as the company scales their operations remains a key monitorable.

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

#### Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Manufacturing Companies](#)

### 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     |

Phatak Solvent Private Limited (PSPL) incorporated in November 2020 (the commercial operations began in FY23), is a family-owned business engaged in production of soya crude oil and soyabean de-oiled cake (DOC) from soyabean seeds. The installed crushing capacity is 72,000 MT p.a. PSPL sells soya crude oil to oil refining companies while sales of soyabean DOC are made to clients in the livestock feed industry. The promoter, Shashikant Phatak has been in the agro-commodity trading business since 1978.

| Brief Financials (₹ crore) | March 31, 2023 (A) | March 31, 2024 (A) |
|----------------------------|--------------------|--------------------|
| Total operating income     | 9.95               | 123.11             |
| PBILDT                     | 0.11               | 2.88               |
| PAT                        | -0.18              | 1.36               |
| Overall gearing (times)    | 5.88               | 5.19               |
| Interest coverage (times)  | 0.42               | 1.14               |

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

#### Status of non-cooperation with previous CRA: Not applicable

#### Any other information: Not applicable

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

#### Detailed explanation of covenants of rated facility: 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 and Rating Outlook |
|---------------------------------|------|-------------------------------|-----------------|----------------------------|-----------------------------|------------------------------------|
| Fund-based – LT – Cash Credit   |      | -                             | -               | -                          | 15.00                       | CARE BB-; Stable                   |
| Fund-based – LT – Term Loan     |      | -                             | -               | 31-03-2030                 | 15.30                       | CARE BB-; Stable                   |
| Fund-based/Non-fund-based-LT/ST |      | -                             | -               | -                          | 1.70                        | CARE BB-; Stable / CARE A4         |

#### 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 – Term Loan            | LT              | 15.30                        | CARE BB-; Stable           | -   | -   | -   | -   |
| 2       | Fund-based – LT – Cash Credit          | LT              | 15.00                        | CARE BB-; Stable           | -   | -   | -   | -   |
| 3       | Fund-based/Non-fund-based-LT/ST        | LT/ST           | 1.70                         | CARE BB-; Stable / CARE A4 | -   | -   | -   | -   |

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

**Annexure-3: Detailed explanation of covenants of 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-Term Loan       | Simple           |
| 3       | Fund-based/Non-fund-based-LT/ST | 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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