Dhanuka Soya Private Limited

July 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	414.50 (Reduced from 421.00)	CARE BBB+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of the rating assigned to bank facilities of Dhanuka Soya Private Limited (DSPL) continues to derive comfort from experience and long track record of promoters in soyabean solvent extraction industry, favourable location of the plant, assured partial long-term off-take agreement with oil marketing companies (OMCs) for ethanol plants in DSPL and Dhanuka Biotech Private Limited (DBPL), eligibility for government subsidies for ethanol plants, and favourable industry outlook for ethanol. The rating also takes cognisance of increase in the group's scale of operations aided by ramping-up of operations in ethanol plant in DSPL despite slight moderation in profitability margins in FY25. However, the rating is constrained by moderate capital structure despite improvement witnessed in FY25, intense competition, fragmented and competitive nature of edible oil industry, and vulnerability of operating margin to volatility in agro-based raw material prices.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growing scale of operations to ₹3,000 crore and improving profit before interest, lease rentals, depreciation and taxation (PBILDT) margins to 8% on a sustained basis.
- Significantly improving capital structure of the group marked by overall gearing of less than 1x on a sustained basis.

Negative factors

- Moderating scale of operations below ₹1,500 crore with PBILDT margins of less than 5% on a sustained basis.
- Moderating financial risk profile of the group considering higher-than-expected debt-funded capex or higher-than-expected exposure to group companies leading to deteriorating group gearing above 1.50x on a sustained basis.

Analytical approach: Combined

Combined financials of DSPL, DBPL, and Dhanuka Extraction Private Limited (DEPL), referred as "Dhanuka Group" have been considered. DSPL and DEPL are both engaged in solvent extraction of soyabean and job work, respectively, belong to the same promoter group with high operational and financial fungibility and operate under common management team. DBPL is engaged in ethanol manufacturing and started operations from April 2023. DSPL commenced operations at its ethanol plant in March 2024, aligning its activities with DBPL. Details of entities combined has been mentioned in Annexure-6.

Outlook: Stable

The 'Stable' outlook reflects CARE Ratings Limited's (CareEdge Ratings') expectations that the company shall continue to benefit from long track record of operations and extensive experience of its promoters in solvent extraction industry.

Detailed description of key rating drivers:

Key strengths

Experience and long track record of promoters in soya bean solvent extraction industry

The promoters have experience of over two decades in the soya processing business. Kailash Dhanuka is a commerce graduate with experience of over two decades in the soya processing industry and has been looking after the company's overall operations. The company's promoters are actively involved in day-to-day operations and are effectively supported by second-tier management. Long presence of promoters in the said industry has helped them establish relationships with the brokers, dealers, and industrial customers of refined oil throughout India, developing a wide marketing network, which also benefits the company from operational perspective.

Favourable location of plant

The group's manufacturing facilities (solvent extraction and ethanol production) are at Neemuch, Madhya Pradesh, with proximity to several cement plants. The region is well connected with railway lines across India, which enables the company to reach and sell de-oiled cake (DOC) at relatively competitive price to far away markets such as West Bengal, Bihar, and Tamil Nadu among others. The plant is also well connected to Kandla port by train which also makes its exports competitive. Moreover, as the

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

soyabean solvent extraction plant is in Madhya Pradesh, which ranks first in terms of area, production, and productivity of soya seeds, it offers locational advantage in term of savings on logistic cost for its soya seed procurement. Hence, the company has distinct locational advantage compared to other soya plants which benefits the company to optimally utilise its crushing capacity and in turn is able to maintain its profitability in adverse industry scenario. The same location also benefits its ethanol plant to transport both raw material (rice and maize) and ethanol/DDGS at a competitive cost.

Assured long-term off-take agreement with OMCs in DBPL and DSPL

DSPL has also entered a long-term agreement with three OMCs, BPCL, IOCL and HPCL, vide agreement dated January 07, 2022, where OMCs will buy 2.70 crore litres per annum from DBPL for 10 years from the date of agreement. DSPL and DBPL will also get transportation charges from OMCs per slabs mentioned in the agreement.

DBPL has entered a long-term agreement with three OMCs, namely, Bharat Petroleum Corporation Limited (BPCL), Indian Oil Corporation Limited (IOCL), and Hindustan Petroleum Corporation Limited (HPCL), vide agreement dated January 07, 2022, where OMCs will buy 3.0 crore litres per annum of ethanol per the prevailing rates of ethanol decided by OMCs (current rate is ₹64 for rice-based ethanol and ₹71.86 for maize-based ethanol) from DBPL for 10-year period from the date of agreement. Apart from OMCs, ethanol produced is also being sold to private players such as Nayara Energy Limited and Reliance Industries Limited.

Eligible for government subsidies for ethanol plants

DSPL is entitled to receive interest subvention for five years including one year moratorium against the loan availed from banks @6% per annum or 50% of the rate of interest charged by the banks whichever is lower for ethanol facility. DSPL has received interest subvention of ₹2.61 crore till June 2024. DSPL is also expected to receive capital subsidy for ₹1.5 per litre from MP government for seven years. This apart, DSPL is also eligible for tax incentives such as 100% Electricity Duty reimbursement, 100% Mandi tax refund by state government.

DBPL is entitled to receive interest subvention for five years including one year moratorium against the loan availed from banks @6% per annum or 50% rate of interest charged by the banks whichever is lower for ethanol facility. Further DBPL is expected to receive capital subsidy of ₹1.5 per litre from Madhya Pradesh government receivable in seven years, which is expected FY26 onwards. DBPL has already received interest subsidy amounting ₹8.75 crore till quarter ending June 2024. The interest subsidy for Q3FY25 is expected by August 2025. DBPL is also eligible for tax incentives such as 100% electricity duty reimbursement and 100% mandi tax refund by state government.

Improvement in financial performance post ramp-up of operations in ethanol plant in DSPL

Overall, the group has achieved TOI of ₹2,593 crore in FY25 (Prov) (against ₹2,053 crore in FY24) with major share contributing from DSPL with sales of ₹1,851 crore, followed by DBPL with sales of ₹742 crore. PBILDT improved to ₹175 crore in FY25 against ₹146 crore in FY24, majorly contributed by ethanol division in DSPL post ramping-up in operations of its ethanol plant having achieved its commercial operations date (COD) on March 27, 2024. Due to high depreciation and interest cost pertaining to term loan availed for ethanol plant in DSPL, the profit after tax (PAT) moderated to ₹60.71 crore in FY25 against ₹70.91 crore in FY24. The PBILDT margin stood at 6.75% in FY25 (PY: 7.11%).

The scale of operations and margins are expected to improve gradually in near-to-mid-term with better capacity utilisation and absorption of fixed expenses.

Key weaknesses

Moderate capital structure despite improvement witnessed in FY25

The capital structure is moderated marked by overall gearing of 0.93x on March 31, 2025. However, it improved from 1.32x as on March 31, 2024, owing to accretion of profits to reserves. Majority debt comprises term loan availed for setting up ethanol plants in DSPL and DBPL.

Going forward, the capital structure is expected to improve going ahead with gradual repayment of debt and accrual of profits to reserves.

Intense competition

The edible oil industry is highly competitive with presence of both large national players (such as Adani Wilmar Ltd, Patanjali Foods Limited, Emami Agrotech Ltd, Marico) and multiple regional players. Along with logistics and supply chain capability, the large integrated players have a sizeable oil processing and packaging scale with wide distribution network. Being part of a highly fragmented industry, the Dhanuka Group is faced with intense pricing competition, and hence, cannot fully pass on the increase in prices to its customers in case of sharp movement in the raw material price in short duration, constraining its profitability.

Fragmented and competitive nature of solvent extraction and edible oil industry

India is one of the major soya seed producing countries with fair share in exports of soya meal. The soya 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, profitability is inherently thin and is further exposed to movement in prices of soyabean seed, finished goods (mainly DOC and soya refined 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.

Vulnerability of operating margin to volatility in agro-based raw material prices
Soya bean seed is the major raw material and soya bean prices are determined based on the demand and supply of soya seeds, which in turn depends upon rainfall and area under cultivation, and thus remain volatile. Prices also reflect the international demand-supply gap and weather conditions in major soya-growing nations; and hence remain volatile. Over the medium term, soya bean prices are expected to remain moderate considering adequate rainfall and increased acreage of soya bean. This increase in acreage is mainly due to continuous increase in the Minimum Support Price (MSP) provided by the Government to farmers for their produce. Moreover, there have been corrective measures from Government over past 12 months to curb the increasing prices of soya bean and provide stability in the prices. Further in ethanol business, raw material costs account for majority overall cost and limited control over selling prices of ethanol, the Group's profitability is vulnerable to volatility in raw material (key ingredients – broken rice and Maize) prices. Being agricultural crop, the key raw material is of seasonal nature, the availability and pricing of the which is affected by factors such as changes in weather conditions including low or high rainfall and production levels, among others. However, the risk is partly mitigated by regular updation of prices for ethanol by the Government on regular intervals based on the prevailing raw material prices.

Liquidity: Adequate

The group's liquidity remained adequate marked by cash and bank balance of ₹38.80 crore and current ratio of 2.04x as on March 31, 2025. The group has scheduled term debt repayment of ₹41.58 crore in FY26 against which the group is projected to generate sufficient cash accruals. Average fund-based working capital utilisation of DSPL stood at 28% for the past 12 months ended March 31, 2025.

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
Manufacturing Companies
Consolidation
Financial Ratios – Non financial Sector

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

Dhanuka Soya Private Limited (DSPL)
Incorporated in April 2013, DSPL is promoted by Sohan Lal Dhanuka and his son, Kailash Kumar Dhanuka. The company was setup as a green-filed project of solvent extraction plant for crushing and processing of soya bean for extraction of soya oil and soya meal (DOC) and other value-added soya products through implementation of expander extruder technology. DSPL started commercial production from October 1, 2014; while the refining capacity started processing from December 01, 2014. DSPL has its manufacturing facilities at village, Jamuniakala, Neemuch, in Madhya Pradesh. DSPL has set up an ethanol producing plant at the project cost of ₹292.37 crore (incurred ₹290 crore till March 31, 2025) having installed capacity of 295 KL per day, which became operational from April 2024. The project cost was financed through mix of debt and internal accruals of ₹196 crore and ₹91 crore, respectively.

Dhanuka Biotech Private Limited (DBPL)

DBPL was set up in 2021. The company has set up a green-field project of grain-based distillery plant to produce fuel grade ethanol and is supplying to OMCs such as BPCL, and HPCL among others. DBPL is producing fuel grade ethanol from broken rice, maize, which are sourced from neighbouring areas. The plant became operational from April 2023 before target COD (October 2023). The capacity of the plant on maize is 250 KL per day and 295 KL per day when rice is used as raw material. Currently, the company's day-to-day affairs are looked after by Kailash Dhanuka and Sunil Dhanuka, promoters, supported by a team of professionals.

Dhanuka Extractions Private Limited (DEPL)
DSPL's promoters have also promoted DEPL, which is engaged in the similar line of business since 2009. However, since FY20, operations in DEPL have been transformed into job work nature for DSPL.

Combined financials of DSPL, DEPL, and DBPL

Particular	March 31, 2024 (UA, C)	March 31, 2025 (UA, C)
Total operating income	2,053.03	2,592.59
PBILDT	145.99	175.05
PAT	70.91	60.71
Overall gearing (times)	1.32	0.93
Interest coverage (times)	8.66	4.73

UA: Unaudited; C: Combined; Note: these are latest available financial results

Standalone financials of DSPL

Particular	March 31, 2024 (A)	March 31, 2025 (UA)
Total operating income	1,407.21	1,852.54
PBILDT	30.40	85.73
PAT	20.30	27.82
Overall gearing (times)	1.14	1.04
Interest coverage (times)	12.39	4.52

A: Audited; UA: Unaudited; 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 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		-	-	-	200.00	CARE BBB+; Stable
Fund-based - LT-Term Loan		-	-	30-09-2031	214.50	CARE BBB+; Stable

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 2025-2026	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
1	Fund-based - LT-Cash Credit	LT	-	-	-	-	-	1)Withdrawn (08-Apr-22)
2	Fund-based - LT-Term Loan	LT	214.50	CARE BBB+; Stable	-	1)CARE BBB+; Stable (02-Jul-24)	1)CARE BBB-; Stable (16-May-23)	-
3	Fund-based - LT-Cash Credit	LT	200.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (02-Jul-24)	1)CARE BBB-; Stable (16-May-23)	-

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instrument/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 lender-wise details of bank facilities please click here

Annexure-6: List of entities combined

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Dhanuka Biotech Private Limited	Full	Group companies with strong linkages
2	Dhanuka Extractions Private Limited	Full	

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

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About us:

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