

Press Release

Shree Fats and Proteins Private Limited

March 11, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	49.00	ACUITE BB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	49.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) on the Rs.49.00 Cr bank facilities of Shree Fats and Proteins Private Limited (SFPPL). The outlook is '**Stable**'.

Rationale for rating reaffirmation:

The reaffirmation in the rating reflects the improvement in the revenues in FY2021, efficient working capital management marked by efficient inventory management & low debtor collection period and adequate liquidity position marked by adequate cash accruals against moderate repayment obligations & judicious utilization of the working capital limits. The rating, however, continues to remain constrained on account of average financial risk profile and deterioration in the overall monthly sales for FY2022.

About Company

Jaipur-based, Shree Fats and Proteins Private Limited (SFPPL) was incorporated in 1991. Mr. Rajkumar Agarwal, Mr. Sanjay Goenka, Mr. Arvind Jain and Ms. Mona Goenka are current directors of the company. SFPPL is engaged in manufacturing and exports of edible oil, pulses, cereals, rapeseed oil. The company exports to countries such as Indonesia, Thailand and Nepal. The plant is located in Bassi district, Jaipur and the installed capacity is about 500 tonnes per day with average utilization of ~80 percent.

About the Group

The group comprises of two companies – Shree Fats and Proteins Private Limited and Perfect Agrofood Private Limited. Shree Fats Group is engaged in the manufacturing of edible oils, pulses, cereals. The promoters of the group are Mr. Kanhaiya Lal Modi, Mr. Sanwar Mal Sigtia, Mrs. Mona Goenka, Mr. Sanjay Goenka, Mr. Raj Kumar Agarwal and Mr. Arvind Jain.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

To arrive at this rating, Acuité has consolidated the business and financial risk profiles of Shree Fats and Proteins Private Limited (SFPPL) and Perfect Agrofood Private Limited (PAPL), hereinafter referred to as Shree Fats Group. The consolidation is in view of similarity in the line of business and operational synergies among the entities.

Key Rating Drivers

Strengths

>Experienced management

SFPPL was incorporated in 1991. Mr. Rajkumar Agarwal, Mr. Sanjay Goenka, Mr. Arvind Jain and Ms. Mona Goenka are current directors of the company who have an experience of around two decades in the edible oils industry. The established track record of operations and experience of the management has helped the group to develop healthy relationships with its customers and suppliers. The group has forged healthy relationships with their reputed customers like BL Agro Industries Limited, Adani Wilmar Limited etc.

Acuité believes that the group will continue to benefit from the promoters' established presence in the industry and its improving business risk profile over the medium term.

>Efficient working capital management

The group's working capital management is efficient marked by Gross Current Asset days (GCA) of 64 days in FY2021 against 65 days in FY2020. The inventory days improved and stood at 39 days in FY2021 against 41 days in FY2020. The company maintains an inventory holding policy of 30-40 days for finished goods and 10 days for raw material. The debtors' days stood at 18 days in FY2021 against 16 days in FY2020. The credit period given to customers is around 30 days. The creditors' days improved and stood at 15 days in FY2021 against 17 days in FY2020. The company deals on cash discount basis with their suppliers. However, working capital limits remains utilized at 70-80 percent for last 6 months ended February, 2022.

Acuité expects the working capital management of the group to remain efficient over the medium term on account of its low debtor collection period.

>Improvement in the operating performance

The turnover of the group stood at Rs.571.35 crore in FY2021 against 404.32 crore in FY2020. The turnover improved in FY2021 majorly due to increase in the commodity prices by 30 percent. The group has already achieved turnover of Rs.536.07 crore for 11MFY2022 and is expecting to achieve more than Rs.600 crore in FY2022. Shree Fats and Proteins Private Limited (SFPPL) has orders in hand of worth Rs.6.00 crore as on date which is expected to be completed in 45 days. This gives adequate revenue visibility over the medium term.

Weaknesses

>Average financial risk profile

Financial risk profile of the group is average marked by deteriorating gearing (debt to equity ratio) & total outside liabilities to total net worth (TOL/TNW), and moderate debt protection metrics. The gearing stood at 2.87 times as on March 31, 2021 against 2.08 times as on March 31, 2020. TOL/TNW stood at 3.97 times as on March 31, 2021 against 2.96 times as on March 31, 2020. Tangible net worth of the group stood modest at Rs.24.49 crore as on March 31, 2021 against Rs.22.92 crore as on March 31, 2020. Of the total debt of Rs.70.20 crore as on March 31, 2021, long-term debt stood at Rs.8.06 crore, short-term debt stood at Rs.52.55 crore, unsecured loans stood at Rs.8.01 crore and CPLTD stood at Rs.1.57 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt stood comfortable at 3.98 times and 0.07 times respectively in FY2021; while DSCR stood at 3.48 times in FY2021. Acuité believes the financial risk profile is expected to be average over the medium term.

>Declined profitability margins

The operating margin of the group stood at 1.28 percent in FY2021 as against 1.60 percent in FY2020. The net profit margins of the group stood at 0.53 percent in FY2021 as against 0.57

percent in FY2020. The margins are fluctuating majorly due to increase in certain fixed costs. However, the margins are expected to improve going forward.

>Highly competitive industry

The group operates in a highly competitive industry with the presence of a large number of organized as well as unorganized players in India.

Rating Sensitivities

- Growth in revenue with sustainability of the profitability margins.
- Any deterioration of its financial risk profile and liquidity position.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material Covenants

None

Liquidity Position: Adequate

The group has an adequate liquidity position as reflected by adequate net cash accruals against moderate repayment obligations. The group generated cash accruals in the range of Rs.3.38 crore – Rs.4.67 crore during the last three years through FY2019-21 against moderate repayment obligations in the range of Rs.0.73 crore – Rs.1.57 crore during the same period. It is expected to generate cash accruals in the range of Rs.7.02 crore – Rs.10.07 crore over the medium term, against moderate repayment obligations in the range of Rs.1.01 crore – Rs.2.64 crore. Unencumbered cash and bank balances stood at Rs.0.03 crore as on March 31, 2021 with a current ratio of 1.25 times in the same period. The working capital limits remained utilized at ~70-80 percent for last trailing 6 months ended February, 2022.

Acuité believes that liquidity profile is expected to remain adequate on account of adequate cash accruals against moderate repayment obligations and judicious utilization of the working capital limits.

Outlook: Stable

Acuité believes that the group will maintain a 'Stable' outlook over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' if the group demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its margins. Conversely, the outlook may be revised to 'Negative' in case the group registers lower than expected growth in revenues and profitability or deterioration in its working capital management or larger-than-expected debt-funded capex leading to deterioration in its financial risk profile and liquidity.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	571.35	404.32
PAT	Rs. Cr.	3.06	2.31
PAT Margin	(%)	0.53	0.57
Total Debt/Tangible Net Worth	Times	2.87	2.08
PBDIT/Interest	Times	3.98	2.43

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on Complexity Levels of the Rated Instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
16 Dec 2020	Term Loan	Long Term	1.61	ACUITE BB Stable (Assigned)
	Proposed Bank Facility	Long Term	0.39	ACUITE BB Stable (Reaffirmed)
	Cash Credit	Long Term	47.00	ACUITE BB Stable (Reaffirmed)
10 Oct 2019	Cash Credit	Long Term	48.00	ACUITE BB Stable (Assigned)
	Bank Guarantee	Short Term	1.00	ACUITE A4+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	47.00	ACUITE BB Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.39	ACUITE BB Stable Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	13-04-2020	7.80	31-03-2028	1.61	ACUITE BB Stable Reaffirmed

Note: Cash Credit includes sub-limit of Rs.16.00 crore packing credit , Rs.5.00 crore FOBP/FOUBP/FOBNLC/FOUBNLC, Rs.30.00 crore FLC and Rs.1.00 crore Bank Guarantee.

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About Acuité Ratings & Research

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