



**Press Release**  
**Shree Fats and Proteins Private Limited**  
**May 25, 2023**  
**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	-	-

**Rating Rationale**

Acuite 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 FY2022, efficient working capital management marked by efficient inventory management & low debtor collection period and adequate liquidity position marked by adequate cash accruals against repayment obligations & moderate utilization of the working capital limits. The rating, however, continues to remain constrained on account of average financial risk profile, deterioration in the overall monthly sales for FY2023, highly price sensitive market and low Profitability Margin .

**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, 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**

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, Mrs. Mona Goenka, Mr. Sanjay Goenka, Mr. Raj Kumar Agarwal and Mr. Arvind Jain.



## **Strengths**

### **Experienced management**

Mr. Kanhaiya Modi (Director) has 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 promoter's established presence in the industry and experienced management over the medium term.

### **Business risk profile**

Shree Fats Group's operation witnessed minuscule improvement in consolidated revenue from operations by ~1% in FY2022 to 579.79 crore as against Rs. 571.35 crore for FY2021. Furthermore, the group has recorded revenue of Rs ~596 crore for FY 23(including interparty transactions). The operating profit margin of the group improved by 26 bps and stood at 1.54% in FY2022 as against 1.28% in FY2021. However, the net profit margin of the group moderated by 50 percent and stood at 0.27 percent in FY2022 as against 0.54 percent in FY2021. Moderation in net profit margin is due higher finance cost as finance cost increased by 106 percent in FY 22 in comparison to FY 21. ROCE of the group stood at 7.55 times in FY2022. Further Group has current orders in hand of Rs 12.01 crores

### **Working capital operations- Efficient**

Group has efficient working capital requirements as evident from gross current assets (GCA) of 60 days in FY2022 as compared to 62 days in FY2021. Debtor days stood low at 12 days in FY2022 as against 15 days in FY2021. Inventory days stood at 42 days in FY2022 as against 39 days in FY2021. Fund based working capital limits are utilized at ~74 per cent during the last twelve months ended March 23. Current ratio of group stood at 1.34 times as on March 31, 2022.

## **Weaknesses**

### **Financial Risk Profile**

Shree Fats Group has average financial risk profile marked by low net worth and moderate debt protection metrics. Group's net worth stood at Rs. 26.06 Cr as on 31st March 2022 as against Rs. 24.49 Cr as on 31st March 2021. Group follows aggressive leverage policy. Gearing levels (debt-to-equity) improved and stood at 2.26 times as on March 31, 2022 as against 2.87 in FY 2021. Improvement in Gearing Ratio in FY 22 is on account of profit accretions and lower utilization repayment of short term debt. The total debt outstanding of the group is Rs. 58.83 crore as on 31 March, 2022 which consists of long term bank borrowings of Rs.11.13 crore (GECLS loans), short term working capital limit of Rs. 37.81 crore, current maturities of long term Debt Rs 3.69 crore and unsecured loans from related parties of Rs 6.20 crore.

Further, the interest coverage ratio moderated however stood comfortable at 2.33 times for FY2022 as against 3.98 times in FY2021. Moderation in Interest coverage ratio is due to increase in finance cost. Debt Service coverage ratio stood moderate at 1.40 times for FY2022 as against 3.49 times in FY2021. DSCR moderated due to repayments of long term loan taken in FY 21. Total outside liabilities to total net worth (TOL/TNW) stood at 3.44 times as on FY2022 vis-à-vis 3.83 times as on FY2021. However, Debt-EBITA stood improved yet high at 6.52 times as on 31st March 2022 as against 9.39 times as on 31st March 2021. The Net Cash Accruals to Total debt stood at 0.06 times as on FY2022 and 0.07 times for FY2021.

### **Rating Sensitivities**

Growth in revenue and profitability margins.  
Deterioration of its financial risk profile and liquidity position.  
Elongation of the working capital cycle

### **Material Covenants**

None

### **Liquidity Position**

Adequate

Group has adequate liquidity marked by net cash accruals to its maturing debt obligations, Moderate fund based limit utilization with adequate current ratio. Group generated cash accruals of Rs. 3.78 crore for FY2022 as against obligations of Rs. 1.57 crores for the same period. Current Ratio stood at 1.34 times as on 31 March 2022 as against 1.26 times in the previous year. Fund based Bank Limit utilization in last twelve months ended March 23 ~74% leaving additional cushion to company to meet contingencies. Cash and Bank Balances of group stood low at Rs 0.06 crores.

**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 leading to deterioration in its financial risk profile and liquidity

**Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	579.79	571.35
PAT	Rs. Cr.	1.58	3.06
PAT Margin	(%)	0.27	0.54
Total Debt/Tangible Net Worth	Times	2.26	2.87
PBDIT/Interest	Times	2.33	3.98

### Key Financials (Consolidated)

PS: FY 22 and 21 adjusted for Interparty transactions

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

None

### Any Other Information

None

### Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

### Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
11 Mar 2022	Term Loan	Long Term	1.61	ACUITE BB   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.39	ACUITE BB   Stable (Reaffirmed)
	Cash Credit	Long Term	47.00	ACUITE BB   Stable (Reaffirmed)
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)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	47.00	ACUITE BB   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.91	ACUITE BB   Stable   Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.09	ACUITE BB   Stable   Reaffirmed

## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Himanshu . Senior Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:himanshu.mehta@acuite.in">himanshu.mehta@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.