

Press Release
NEEMUCH PROTEINS LLP
July 03, 2024
Rating Assigned



| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|------------------------------------|------------------|--------------------------------|-------------------|
| Bank Loan Ratings | 65.00 | ACUITE BB+ Stable Assigned | - |
| Total Outstanding Quantum (Rs. Cr) | 65.00 | - | - |

Rating Rationale

Acuite has assigned its long-term rating as '**ACUITE BB+ ' (read as ACUITE Double B plus)** on the Rs. 65.00 Cr. bank facilities of Neemuch Proteins LLP. The outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned reflects the established track record and experience of the partners in the edible oil industry over the last three decades leading to steady growth in the scale of operations. The rating gets comfort from moderate financial risk profile, adequate liquidity profile and comfortable working capital operations of the firm. However, the rating is constraint from fluctuating prices of the raw materials which may vary in scale of operations.

About the Company

Madhya Pradesh Based, Neemuch Proteins LLP was established in 2020. It is engaged in Extraction of Soya Crude oil from soyabean and refining of the extracted crude oil further. The firm has set up an solvent extraction plant having capacity of 600 MT/day and a refinery having capacity of 100 MT/day. The commercial production started in the month of November 2022. Currently Ms. Madhu Bala Patidar, Mr. Dheeraj Kumar Modi, Mr. Omprakash Agrawal, Mr. Sanjay Kumar Agarwal, Mr. Kamal Kumar Modi and Ms. Kalyani Patidar are the partners of the company.

Unsupported Rating

Not Applicable.

Analytical Approach

Acuite has taken standalone financial and business risk profile of Neemuch Proteins LLP to arrive at this rating.

Key Rating Drivers

Strengths

Established experience of the Partners

The partners, Mr. Sanjay Agarwal, Om Prakash Agarwal, Dheeraj Modi and Kamal Modi have over three decades of experience in edible oil industry, that shall support the business going forward. Acuite believes that the extensive experience of the partners will continue to benefit the firm going forward, resulting in steady growth in the scale of operations. The firm receives orders on a daily basis and deliver it within 7 days. The firm sells to Soya refined oil to Adani Wilmar Limited and other market players.

Financial risk profile

The firm has moderate financial risk profile marked by net worth, gearing and coverage indicators. The tangible net worth stood at Rs. 31.51 Cr. as on March 2024 against Rs. 26.09 Cr.

a year earlier. Debt to Equity ratio improved by 45 bps and stood at 1.38 times in FY 24 as against 1.83 times in FY 23. Improvement is on account of profits accretions. The total outside liabilities to total net worth (TOL/TNW) stood at 1.77 times as on FY 24 against 1.87 times as on FY 23. Further, the debt protection matrix (i.e. DSCR & ISCR) stood at 2.85 & 3.74 times in FY 24 (prov.). ROCE of the firm improved from 8.13% in FY 22-23 to 14.04% in FY 23-24 (Prov.).

Working Capital Operations

Since, FY 23-24 was the first full year of commercial production, the company's working capital operations marked as GCA days of 23 in FY 24 as against 39 days in FY 23. This is due to the debtor days and creditor days which stood at 4 & 3 days respectively for FY 23-24. Inventory days stood at 14 days for FY 23-24 (Prov.). Going forward, Acuite believes that the working capital operations of the company would continue to be efficient due to comfortable levels of inventory, debtor & creditor days.

Weaknesses

Volatility in prices of raw materials

Operations are exposed to inherent risks associated with the agriculture-based commodity business, such as availability of raw material or fluctuations in prices. When monsoon is erratic, quality seeds are in short supply, which leads to high input costs and adversely affects the margins of players. Oil prices also depend on global demand & supply and movement in the prices of other edible oils.

Rating Sensitivities

- Increase in scale of operations with improvement in profitability margins.
- Improvement in financial risk profile of the firm.

Liquidity Position

Adequate

The firm's liquidity position is adequate marked by net cash accruals of Rs. 11.41 Cr. in FY 2024 as against long-term debt obligation of Rs. 1.30 Cr. over the same period. The net cash accruals of the firm is expected to remain healthy in the near to medium term, indicating availability of funds act as a cushion to the liquidity of the company. The current ratio stood moderate at 1.78 times as on March 31, 2024. Further, the utilization of fund-based limits for six months ended March 2024 is 77.66%. The cash and bank balance of the firm stood at Rs.0.56 Cr. as on March 31, 2024. Acuite believes that going forward the firm will maintain adequate liquidity position due to steady accruals.

Outlook - Stable

Acuite believes that NPL will maintain a 'Stable' outlook and benefit over the medium term from its experienced management. The outlook may be revised to 'Positive', if the firm achieves more than expected growth in terms of revenue and profitability. The outlook would be revised to negative, if there is decline in financial performance of the company.

Other Factors affecting Rating

None.

Key Financials

| Particulars | Unit | FY 24 (Provisional) | FY 23 (Actual) |
|-------------------------------|---------|---------------------|----------------|
| Operating Income | Rs. Cr. | 872.93 | 373.30 |
| PAT | Rs. Cr. | 6.27 | 1.85 |
| PAT Margin | (%) | 0.72 | 0.50 |
| Total Debt/Tangible Net Worth | Times | 1.38 | 1.83 |
| PBDIT/Interest | Times | 3.74 | 2.93 |

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

None

Any other information

None.

Applicable Criteria

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

Rating History :

Not Applicable.

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Complexity Level | Quantum (Rs. Cr.) | Rating |
|---------------------|----------------------|----------------------------------|----------------------|----------------------|----------------------|------------------|-------------------|--------------------------------|
| State Bank of India | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 50.00 | ACUITE BB+ Stable Assigned |
| Not Applicable | Not avl. / Not appl. | Proposed Long Term Bank Facility | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 1.64 | ACUITE BB+ Stable Assigned |
| State Bank of India | Not avl. / Not appl. | Term Loan | Not avl. / Not appl. | Not avl. / Not appl. | 07 Dec 2031 | Simple | 13.36 | ACUITE BB+ Stable Assigned |

Contacts

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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.

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