



September 20, 2010

## ICRA assigns LB+ and A4 ratings to the bank facilities of Shree Ram Proteins Private Limited

ICRA has assigned an LB+ (pronounced L B plus) rating to the Rs. 8.90 crore<sup>1</sup> term loans and Rs. 7.00 crore cash credit facility of Shree Ram Proteins Private Limited (SRPPL)<sup>†</sup>. ICRA has also assigned an A4 (pronounced A four) rating to the Rs. 0.5 crore short-term, non-fund based limits of Shree Ram Proteins Private Limited (SRPPL)

The rating is constrained by the stretched liquidity profile of the company reflected through the irregular debt servicing and the limited track record of operations for the company. The rating is further constrained by lack of refining capacity which coupled with the highly fragmented nature of the edible oil industry limits the bargaining power while supplying to refined oil plants and the substitution threat from imports post rationalization of duty structure in the edible oil industry with availability of cheaper substitutes like palm oil. The ratings also take into account the concentration on a single type of oilseed and the vulnerability of profitability to the movements in raw material prices, which are subject to seasonality and crop harvest.

The ratings, however, take comfort from the favourable location at Gondal (Rajkot) with availability of high quality raw material; the favourable demand outlook for edible oil in India and the strong market for cotton seed oil in Gujarat. The ratings also favourably consider the experience of the promoters in the cotton ginning industry and the comparative advantage over traditional oil seed processing units by producing value added products like linters and de-oiled cake, with a high demand potential.

### Company Profile

Shree Ram Proteins Pvt. Ltd. (SRPPL), incorporated in August 2008, is located at Gondal (Rajkot), and is primarily involved in the area of cotton seed processing. The product mix of the company comprises of cotton linters, cotton seed hulls, cotton seed oil and de-oiled cakes. The company commenced commercial production in February 2010. The group concern of the company is Shree Ram Cotton Industries (SRCI), which is involved in cotton ginning and pressing.

### Recent Results

In the year FY10, SRPPL has reported operating income of Rs. 13.1 crore and profit after tax of Rs. 0.12 crore (audited) for two months of operation.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

<sup>1</sup>100 lakh = 1 crore = 10 million

<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.

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