

October 27, 2023<sup>(Revised)</sup>

## Sneha Gold Proteins Private Limited: [ICRA]BBB- (Stable); assigned

### Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term- Unallocated	222.45	[ICRA]BBB- (Stable); assigned
<b>Total</b>	<b>222.45</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The assigned rating considers the strong operational and financial support enjoyed by Sneha Gold Proteins Private Limited (SGPPL) from its parent entity, Sneha Farms Private Limited (SFPL), which is engaged in breeder farming, hatchery, broiler farming, layer farming, chicken processing, and other such operations. SFPL, rated [ICRA] A+ (Stable), is the flagship entity of the Sneha Group and is the market leader in the broiler segment in Telangana and Andhra Pradesh with an established operational track record of over three decades. Moreover, SGPPL is strategically important to the Sneha Group as it is setting up a soya solvent extraction plant (SEP) and a soya oil refinery with an installed capacity of 800 tonnes per day (TPD) and 150 TPD, respectively. Soya De-Oiled Cake (DOC), a key raw material for poultry feed, also helps in SFPL's backward integration. The plant will be set up in Nanded, Maharashtra, in the proximity of raw materials, which will ensure material availability and reduce the freight costs.

The rating, however, is constrained by the execution and stabilisation risks, as timely completion of the project within the budgeted cost and the successful ramp-up of operations remain crucial. The project cost is estimated at Rs. 310-320 crore, which would be funded through Rs. 230-250 crore of term debt and Rs. 60-80 crore of equity and unsecured loans from SFPL and promoters, respectively. ICRA notes that the company is yet to tie-up the bank debt for the project. Timely tie-up of debt remains crucial for the project. However, SFPL is expected to support the funding requirements of SGPPL until it achieves financial closure. The rating further considers thin margins inherent to the soya extraction business. Moreover, agro-climatic conditions impact the availability and price of raw materials.

The Stable outlook on the rating reflects ICRA's expectation that the company will successfully complete the project without any significant time or cost overrun, and that the parent company would infuse funds in SGPPL on a timely basis to support its liquidity.

### Key rating drivers and their description

#### Credit strengths

**Experienced management in the poultry industry and established brand name of the Sneha Group** – SGPPL is a 100% subsidiary of SFPL, which is the market leader in the broiler segment in Telangana and Andhra Pradesh with an established operational track record of over three decades. SGPPL's day-to-day operations will be monitored by the management and the promoters of SFPL, having over 40 years of experience in the poultry industry.

**Support from SFPL** – SGPPL, a 100% subsidiary of SFPL, is also a strategically important entity to the parent company as it would supply a significant part of the parent's soya DOC, a key raw material in the preparation of poultry feed, requirements post the commencement of operations and would also aid in SFPL's backward integration for the poultry business. SFPL has already infused equity and unsecured loans to fund a part of the project cost and is expected to continue its support for SGPPL, as and when required.

**Favourable manufacturing unit location to the raw material availability** - SGPPL's manufacturing facility is in proximity to raw material sources, which will ensure material availability and provide a cost advantage to the company, especially, in terms of lower freight costs.

### Credit challenges

**Execution and stabilisation risk given the construction/setting-up phase of the project; moreover, funding for the project is yet to be tied up** – The company is setting up a soya SEP and soya refinery in Nanded, Maharashtra at an estimated project cost of Rs. 310-320 crore, which would be funded through Rs. 230-250 crore of term debt and Rs. 60-80 crore of equity and unsecured loans from SFPL. The company incurred ~Rs. 50.0 crore till August 2023, which was funded through unsecured loans from SFPL. Timely completion of the project without cost overruns and successful expansion of operations remains one of the key monitoring factors.

**Thin margins inherent to soya solvent extraction; exposure to agro-climatic risks** – SGPPL's margins are expected to remain thin owing to limited value addition and the highly fragmented nature of the solvent extraction industry. Raw material availability and prices remain volatile due to fluctuation in domestic production owing to agro-climatic conditions, international prices, government regulations, and demand from the animal husbandry sector, which is susceptible to seasonality.

### Liquidity position: Stretched

The company's liquidity position is stretched as the company is expected to incur capex of Rs. 260-270 crore in the next 24 months, which is expected to be funded by Rs. 230-250 crore debt. The debt is yet to be tied up. However, the parent company (SFPL), infused partial equity and the rest is expected to be infused as and when required. Timely tie-up of funding for capex and timely completion of the project without time or cost overrun remain crucial.

### Rating sensitivities

**Positive factors** – ICRA could upgrade SGPPL's rating if the company successfully completes the project within the stipulated time and estimated cost with successful expansion in scale and profitability. Moreover, the rating could be upgraded if there is an improvement in the credit profile of the support provider (SFPL).

**Negative factors** – Negative pressure on the ratings could arise if any significant delay in project execution or any cost overrun, or any major delay in achieving the financial closure impacts its liquidity. Any deterioration in the support provider's credit profile or weakening of linkages with the support provider could also trigger a downgrade.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology –Edible Oil</a>
Parent/Group support	Implicit support from the parent – Sneha Farms Pvt. Ltd.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of SGPPL along with implicit support from SFPL

### About the company

In 2022, Sneha Gold Proteins Private Limited (SGPPL) was incorporated as a 100% subsidiary of SFPL for setting up a soya SEP and a soya refinery with an installed capacity of 800 TPD and 150 TPD, respectively. SFPL, a prominent player in the poultry industry, is involved in the business of poultry farming, poultry breeding, broiler chicken production, hatching of eggs, frozen chicken, commercial layer farming, and manufacturing of poultry feed.

**Key financial indicators:** Not applicable since SGPPL is a project-stage company.

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** None

### Rating history for past three years

S.No	Instrument	Type	Current Rating (FY2024)		Chronology of Rating History for the past 3 years			
			Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31, 2023 (Rs. crore)	Date & Rating in	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
					Oct 27, 2023			
1	Unallocated	Long-term	222.45	-	[ICRA]BBB- (Stable)	-	-	-

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term- Unallocated	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

#### Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
NA	Long Term- Unallocated	NA	NA	NA	222.45	[ICRA]BBB- (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

#### Annexure II: List of entities considered for consolidated analysis – Not applicable

#### Corrigendum

Added rating methodology for Edible oil in analytical approach table

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