January 22, 2024 (Revised)

Sneha Gold Proteins Private Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Unallocated	222.45	6.45	[ICRA]BBB- (Stable); Reaffirmed
Long-term – Fund-based – Term Loan	-	236.00	[ICRA]BBB- (Stable); assigned for enhanced amount
Total	**222.45**	**242.45**	

**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 related operations. SFPL, rated [ICRA] A+ (Stable), is the flagship entity of the Sneha Group and 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 production 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 at Nanded, Maharashtra, in the proximity of raw materials, which will ensure material availability and reduce 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. 312.0 crore, which would be funded through Rs. 236.0 crore of term debt and Rs. 76.0 crore of equity and unsecured loans from SFPL and the promoters. As of December 2023, the company had incurred a cost of Rs. 100.0 crore, funded through Rs. 30.0 crore of term debt and Rs. 70.0 crore of equity from SFPL. The rating further considers the thin margins inherent to the soya extraction business. Moreover, agro-climatic conditions impact the availability and prices 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 will infuse funds into SGPPL in a timely manner to support its liquidity.

Key rating drivers and their description

Credit strengths

Experienced management in the poultry industry and established brand name of 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 operational track record of over three decades. SGPPL's day-to-day operations will be monitored by the management and the promoters of SFPL.

Support from SFPL – SGPPL is a strategically important entity to its parent company, SFPL, as it will supply a significant part of its parent's soya DOC requirement, a key raw material for poultry feed, following the commencement of operations. SGPPL will also aid in SFPL's backward integration into 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 near 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 risks given the construction/setting up phase of the project – The company is setting up a soya SEP and soya refinery in Nanded, Maharashtra, at an estimated project cost of over Rs. 310.0 crore, which would be funded through mix of term debt and equity and unsecured loans from SFPL. The company incurred ~Rs. 100.0 crore till December 2023, funded through Rs. 30.0 crore of term debt and Rs. 70.0 crore of equity 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 it is expected to incur capex of Rs. 260-270.0 in the next 24 months. SFPL has infused partial equity, with the rest expected to come in, as and when required. Timely completion of the project without any time or cost overrun remains crucial.

Rating sensitivities

Positive factors – ICRA could upgrade SGPPL's ratings if the company successfully completes the project within the budgeted time and cost with successful ramp up in scale and profitability. Also, the rating could be upgraded if there is an improvement in the credit profile of the parent.

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

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology –Edible Oil
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 was incorporated as a 100% subsidiary of SFPL for manufacturing soya oil through a soya SEP and a soya refinery with an installed production capacity of 800 TPD and 150 TPD, respectively. In FY2024, the Sneha Group has acquired Singh Poultry Private Limited, which has an installed capacity for one lakh breeder birds, for a consideration of Rs. 50.0 crore (funded through mix of term debt and internal accruals)

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	Current Rating (FY2024)					Chronology of Rating History for the past 3 years		
		Type	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
					Jan 22, 2024	Oct 27, 2023	-	-	-
1	Unallocated	Long-term	6.45	-	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	-	-	-
2	Fund based – Term Loan	Long-term	236.00	-	[ICRA]BBB- (Stable)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term- Unallocated	Not applicable
Long Term – fund based – Term Loan	Simple

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	6.45	[ICRA]BBB-(Stable)
NA	Long Term – fund based – Term Loan	NA	NA	NA	236.00	[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

ANALYST CONTACTS

Shamsher Dewan
+91 12 4454 5300
shamsherd@icraindia.com

Srikumar K
+91 44 4596 4318
ksrikumar@icraindia.com

Nithya Debbadi
+91 40 4067 6515
Nithya.Debbadi@icraindia.com

Etikala Raviteja
+91 40 4547 4829
etikala.teja@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches