

Shree Ram Proteins Private Limited

Instrument	Amount (Rs. crore)	Rating Action
Fund Based Limit – Cash Credit	31.00	[ICRA]BB- (stable); Assigned
Non-fund Based Limit – Bank Guarantee	0.10	[ICRA]A4; Assigned

ICRA has assigned the long-term rating of **[ICRA]BB-** (pronounced ICRA B plus) to the Rs. 31.00-crore¹ fund based cash credit facility of Shree Ram Proteins Private Limited (SRPPL)². ICRA has also assigned a rating of **[ICRA]A4** (pronounced ICRA A four) to the short-term, non-fund based Rs. 0.10 crore bank guarantee facilities of SRPPL. The outlook on the long-term rating is stable.

The assigned ratings are constrained by SRPPL's modest profitability level with declining trend since FY2012 on account of increasing trading operations as well as raw material cost for manufacturing operations. Operating profitability has come down from 9.5% in FY2012 to 3.8% in FY2016. Lower profitability has also impacted return indicators to remain modest reflected from RoCE and RoNW at 7.6% and 5.31%, respectively, as on March 31, 2016. ICRA notes that leveraged capital structure dominated by working capital borrowing causes the gearing of the company to remain stretched at 3.0 times as on March 31, 2016. Coverage indicators also remain at modest levels. Furthermore, the ratings capture the effect of high working capital requirements arising out of elongated receivable days and high inventory holding.

The ratings, however, positively consider the relevant experience of SRPPL's promoters in cotton ginning and production of cotton linter. The ratings further take into account SRPPL's healthy growth of its top-line at a CAGR of 22.8% during the period from FY2012 to FY2016. ICRA also considers the diversified sources of the firm's revenue through the sale of cotton linter, cotton seed husk, wash oil and de-oiled cake as well as through crushing of soya seeds, rapeseeds and ground nut seeds.

ICRA expects the company to continue its healthy growth in revenue, backed by the currently healthy orders in hand. As working capital limits are consistently highly utilised, its ability to meet working capital needs to cater to its orders is the key rating sensitivity. Additionally, the company's ability to improve its capital structure, face competition from cheaper substitutes of cotton seed oil and improve profitability despite seasonality as well as fluctuations in raw material prices will be other rating sensitivities.

Company Profile

Shree Ram Proteins Private Limited was incorporated in 2008 to process cotton seeds and obtain cotton linter, cotton seed hull, wash oil and de-oiled cake. These products are traded as well in suitable circumstances, as per the requirements of its customers. SRPPL is also engaged in trading of cotton yarn, cotton bales and raw cotton. The plant is located at Bhunava in Gujarat, and has an installed capacity of 400 MT per day. The company sells its products in Indian as well as overseas markets.

The company is promoted by Mr. Lalit Vasoya, Mr. Lavji Savaliya and their families. Mr. Lalit Vasoya looks after the finance and marketing of the company. Mr. Lavji Savaliya has several years' experience in ginning and processing.

Recent Results

In FY2016, the firm registered a net profit of Rs. 0.7 crore on an operating income of Rs. 183.5 crore.

December 2016

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website (www.icra.in) or other ICRA Rating Publications.



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