

December 05, 2013

**CARE REVISES / REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES OF SHREE RAM OXY-GAS PVT LTD**

**Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	15.51* (reduced from Rs.20.50 crore)	CARE BB (Double B)	Revised from CARE BB- [Double B Minus]
Long-term/Short-term Bank Facilities	1.83	CARE BB/CARE A4 (Double B / A Four)	Revised from CARE BB- / CARE A4 [Double B Minus / A Four]
<b>Total Facilities</b>	<b>17.34</b>		

\*Outstanding as on September 30, 2013

**Rating Rationale**

The revision in rating takes into account the stabilization of operations and change in cost structure leading to substantial improvement in profitability in H1FY14 (refers to the period April 1 to September 30). The ratings continue to favourably consider the vast experience of promoters in diversified businesses coupled with operational linkages with other group entities engaged in ship breaking.

The ratings, however, continue to be constrained by under achievement in profitability in its first year of operations and weak capital structure. The ratings are further constrained by Shree Ram Oxy-Gas Private Limited's (SOGPL's) dependence on volatile and cyclical ship-breaking industry and its presence in competitive and commoditised nature of industrial gases industry.

Increase in scale of operations by maintaining profitability achieved in H1FY14 and improvement in capital structure are the key rating sensitivities.

**Background**

Shree Ram Oxy-Gas Private Limited (SOGPL), a Bhavnagar based Shree Ram group company, was incorporated on February 4, 2010 to manufacture industrial gases by Mr Mukesh B.Patel and Mr. Chetan M. Patel. SOGPL implemented the green field project comprising setting up of air separation plant for manufacturing of Oxygen, Nitrogen and Argon gases with an installed capacity of 16.42 million Cubic Meters Per Annum (CMPA), 8.64 million CMPA and 0.52 million CMPA respectively at Alang near Bhavnagar. The plant started in June 2012 with the commissioning of Oxygen and Nitrogen plant. Subsequently Argon plant started in April 2013.

In its first year of operation, SOGPL reported a net loss of Rs.3.81 crore on a total operating income of Rs.17.09 crore during FY13 (refers to the period April 1 to March 31). In H1FY14 (provisional), SOGPL reported a PAT of Rs.0.88 crore on a total operating income of Rs.12.38 crore.

**Analyst Contact**

Name: Naresh M. Golani

Tel # 079-40265618

Mobile # +91 9825139613

Email: [naresh.golani@careratings.com](mailto:naresh.golani@careratings.com)

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

*CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.*

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CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

**HEAD OFFICE: MUMBAI**

**Mr. D.R. Dogra**

Managing Director

Mobile : +91-98204 16002

E-mail : dr.dogra@careratings.com

**Mr. Rajesh Mokashi**

Dy. Managing Director

Mobile +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

**Ms. Meenal Sikchi**

Vice President –Bank Loan &

Instrument Rating

Mobile: +91-9819009839

mail: meenal.sikchi@careratings.com

**Mr. Ankur Sachdeva**

Vice President – Banks & Financial

Services

Mobile: +91-9819698985

E-mail: ankur.sachdeva@careratings.com

**CREDIT ANALYSIS & RESEARCH LTD**

**HEAD OFFICE** 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022 | Tel: +91-022- 6754 3456 | E-mail: care@careratings.com | Fax: +91-022- 6754 3457.

**KOLKATA** | **Ms. Priti Agarwal** | Cell: +91-98319 67110 | Tel: +91-33- 4018 1600/ 1602 |

E- mail: priti.agarwal@careratings.com | 3rd Flr., Prasad Chambers (Shagun Mall Bldg), 10A, Shakespeare Sarani, Kolkata -700 071

**CHENNAI** | **Mr. V Pradeep Kumar** | Cell: +91 9840754521 | Tel: +91-44-2849 7812/2849 0811 | Fax: +91-44-2849 0876 | Email: pradeep.kumar@careratings.com | Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai - 600 002

**AHMEDABAD** | **Mr. Mehul Pandya** | Cell: +91-98242 56265 | Tel: +91-79-40265656 | Fax: +91-79-40265657 | E-mail: mehul.pandya@careratings.com | 32, Titanium, Prahaladnagar Corporate Road, Satellite, Ahmedabad - 380 015.

**NEW DELHI** | **Ms. Swati Agrawal** | Cell: +91-98117 45677 | Tel: +91- 11- 2331 8701/ 2371 6199 | E-mail: swati.agrawal@careratings.com | 3<sup>rd</sup> Floor, B -47, Inner Circle, Near Plaza Cinema, Connaught Place, New Delhi - 110 001.

**BENGALURU** | **Mr. Dinesh Sharma** | Cell: +91 9900041975 | Tel: +91-80-41150445 | 41654529 E-mail: dinesh.sharma@careratings.com | Unit No. 1101-1102, 11th Floor, Prestige Meridian II, No. 30, M.G. Road, Bengaluru- 560 001.

**HYDERABAD** | **Mr. Saikat Roy** | Tel: +91-40-40102030 | E-mail: saikat.roy@careratings.com | 401, Ashoka Scintilla | 3-6-520, Himayat Nagar | Hyderabad - 500 029.

**PUNE** | **Mr. Rahul Patni** | Cell: +91-78754 33355 | Tel: +91-20- 4000 9000 |

E-mail: rahul.patni@careratings.com | 9th Floor, Pride Kumar Senate, Plot No. 970, Bhamburda, Senapati Bapat Road, Shivaji Nagar, Pune - 411 015.

**JAIPUR** | **Mr. Rahul Jain** | Cell: +91-9314921496 | Tel: +91-0141-4020213/14 |

E-mail: [rahul.jain@careratings.com](mailto:rahul.jain@careratings.com) | 304, Pashupati Akshat Height, s Plot No. D-91, Madho Singh Road, Near Collectorate Circle, Bani Park , Jaipur – 302016.