

Deepak Proteins Private Limited

March 02, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE B+; Stable (Single B Plus; Outlook: Stable) and Withdrawn
Total Bank Facilities	0.00 (Rs. Only)		

Details of facilities in Annexure-1

Detailed Rationale, Key Rating Drivers and Detailed description of the key rating drivers

CARE has reviewed the rating assigned to the bank facilities of Deepak Proteins Private Limited (DPPL) to CARE B+; Stable (Single B Plus; Outlook: Stable) and has simultaneously withdrawn it, with immediate effect. The ratings assigned to the bank facilities of DPPL take into account its moderate scale of operations with thin profit margins, leveraged capital structure and weak debt coverage indicators during FY20 (Audited, FY; refers to the period April 01 to March 31). The rating, further, continues to remain constrained on account of vulnerability of its profit margins to fluctuations in raw material prices.

The rating, however, continues to derive benefits from the long track record of the promoters in the cotton seed oil industry and proximity to raw material source.

The rating withdrawal is at the request of DPPL and 'No Objection' received from the bank that has extended the facilities rated by CARE.

Detailed description of the key rating drivers

Key Rating Weaknesses

Moderate scale of operations and thin profit margins

During FY20, DPPL reported TOI of Rs.49.03 crore which improved by 14.40% on y-o-y basis as against Rs.42.86 crore in FY19. DPPL reported PBILDT margin of 1.12% as against 1.41% during FY19 and PAT margin of 0.14% during FY20 which is similar with FY19.

Leveraged capital structure and weak debt coverage indicators

The capital structure of DPPL marked by overall gearing deteriorated marginally and remained leveraged at 3.83 times as on March 31, 2020 as against 2.27 times as on March 31, 2019.

The debt coverage indicators of DPPL remained weak marked by Total Debt to Gross Cash Accruals (TDGCA) of 52.81 years as on March 31, 2020 as against 34.47 years as on March 31, 2019 owing to increase in total debt level. The interest coverage ratio remained moderate at 1.37 times in FY20 as against 1.26 times during FY19.

Vulnerability of profit margins to fluctuation in raw material prices

The profitability of DPPL is exposed to fluctuations in raw material prices, as cotton being an agricultural commodity is subject to vagaries of weather and its prices remain volatile in nature.

Key Rating Strengths

Long track record of the promoters in the cotton seed oil industry

Mr Satishchandra Thakkar and Mr Gunvantlal Thakkar are the key promoters of DPPL, who manage all day to day operations of the company and possess more than three decades of experience in the oil milling industry.

Proximity to raw material source

DPPL is based in Harij in the northern region of Gujarat, which is one of the biggest markets for cotton seed and cotton seed oil in Gujarat. Thus, proximity of DPPL's unit to the cotton growing region ensures easy raw material access at effective prices with lower logistic expenditure.

Analytical approach: Standalone

Applicable Criteria

[Policy on Withdrawal of ratings](#)

[Criteria on assigning outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology - Manufacturing Companies](#)

Rating Methodology for Cotton Textile Manufacturing
Financial ratios – Non-Financial Sector
Criteria for Short Term Instruments

About the Company

DPPL was incorporated by Mr Satishchandra Thakkar and Mr Gunvantlal Thakkar along with other family members in 2008. The company is engaged in manufacturing of cotton seed wash oil and de-oiled cake (DOC). DPPL's plant is located at Harij, Gujarat which has an installed capacity of 22,000 Metric Tonnes Per Annum (MTPA) and 18 expellers at its crushing facility as on March 31, 2019. DPPL's operations are concentrated in North Gujarat. DPPL market its products under the brand name 'SATISH'.

The promoters also run two other entities in the name of P.V. Agro and Kalptaru Finstock. P.V. Agro is engaged in trading of various agro commodities like castor seeds, guar seeds, cumin seed, cotton de-oiled cake and guar dal while Kalptaru Finstock is engaged in commodities trading and investments in shares.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	42.86	49.03
PBILDT	0.60	0.55
PAT	0.07	0.07
Overall gearing (times)	2.27	3.83
Interest coverage (times)	1.26	1.37

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE B+; Stable (12-Mar-20)	1)CARE B+; Stable (06-Mar-19)	1)CARE B+; Stable (15-Feb-18)

Annexure 3: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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