

## Shree Mangal Proteins Limited

August 23, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	45.00	CARE BBB; Stable	Reaffirmed
Short Term Bank Facilities	55.00	CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of Shree Mangal Proteins Limited (SMPL) continue to take into account its moderate scale of operations, capital structure and debt coverage indicators, along with some recovery in profitability with some recovery in mustard oil prices. The ratings continue to derive strength from vast experience of the promoters in edible oil industry, strategic location of manufacturing facility with proximity to raw material source, adequate liquidity and stables demand outlook for edible oil industry.

The ratings, however, remain constrained on account of susceptibility of company's profitability to fluctuations in the prices of edible oils / oil seeds, exposure to agro-climatic risks in procurement of raw material (oil seeds) and its presence in the competitive edible oil industry.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Sustained volume driven growth in scale of operations with total operating income (TOI) of more than Rs.1000 crore with PBILDT margin above 4%.
- Sustenance of overall gearing below 0.50x along with improvement in debt coverage indicators

#### Negative factors

- Decline in scale of operations with TOI below Rs.500 crore with significant moderation in PBILDT margin on sustained basis.
- Deterioration in capital structure with overall gearing above unity due to any debt funded expansion or increase in working capital requirement.

### Analytical approach: Standalone

#### Outlook: Stable

Stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectations that the company will continue to benefit from the experience of its promoters in edible oil industry and sustain its moderate financial risk profile in near to medium term. Stable outlook also factors in expected improvement in company's performance, led by stabilisation of edible oil prices.

### Detailed description of the key rating drivers:

#### Key strengths

##### Experienced promoters in the edible oil industry

Mr. Mukesh Kumar Jain, director, looks after the overall management of the company. He is assisted by his brother, Mr. Anil Kumar Jain, director, who looks after the finance and production function and Mrs. Manisha Jain, director, who looks after the administrative function. All the directors have more than two-decades of experience in the edible oil industry through other entities which are engaged in the business of extraction of crude edible oil from mustard seeds as well as trading of crude edible oil, mustard seeds, De-oiled Cake (DOC), groundnut seeds and taramira seeds.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### **Strategic location of manufacturing unit with proximity to raw material source and moderately diversified customer base**

Rajasthan is the largest mustard seed producing state in the country contributing over 40% of the total domestic production. SMPL's manufacturing facility is located at Tonk, Rajasthan which provides an easy access to SMPL to procure its primary raw material i.e. mustard seeds from local traders as well as from mandis. With long track record of operations, the promoters have developed strategic business relations with the suppliers resulting in benefits derived from lower logistic cost, uninterrupted supply, and procurement of raw materials at effective prices. SMPL sells mustard oil to varied traders and oil processing companies who in turn package the product under their brand name and sell it to customers. The company had moderately diversified customer base with top five customers constituting 45% of its TOI in FY24 (38% of its TOI in FY23).

### **Moderate scale of operations with some improvement in profitability**

Total Operating Income (TOI) of the company largely remained stable at Rs.778.36 cr. in FY24 as compared to Rs.764.01 in FY23. Sales volume increased for both of its products, viz. Mustard oil (17% growth y-o-y) and Mustard de oiled cake (4% growth y-o-y). Sales realizations however reduced during the year for Mustard Oil by 23% and improved for Mustard DOC by 14%. As a result, SMPL's PBILDT margin improved marginally to 2.30% in FY24 from 1.54% in FY23.

Margins were impacted for past two years ended FY24 due to declining trend in edible oil prices. High imports of edible oil (Palm oil, Soya and sunflower oil) resulted in moderation in demand and prices of mustard oil. However, edible oil imports have declined from November 2023 due to limited availability of competing oils such as soya and palm with the major oil exporters, owing to climatic changes. This is expected to positively impact the domestic prices of mustard oil, to an extent.

Edible oil prices have exhibited stabilisation from Q4FY24 onwards, thus margins are expected to improve marginally in FY25, from FY24 levels.

Company registered TOI of Rs.187.72 cr. in Q1FY25. Scale is envisaged to moderate marginally to Rs.750 cr. in FY25 with company reducing focus on sale of Mustard DOC due to price disparity.

### **Moderate capital structure and debt coverage indicators**

SMPL has a moderate capital structure with an overall gearing of 0.39x times as on March 31, 2024 (P.Y. 0.52x), with debt profile comprising only working capital borrowings and interest free unsecured loans from promoters. As on March 31, 2024, SMPL had a moderate net worth base of Rs.111.15 crore. Debt coverage indicators stood moderate with PBILDT Interest coverage of 5.07x (3.31x in FY23) and total debt to GCA of 3.61x (6.92x in FY23) in FY24, it improved in FY24 with some recovery in profit margins. Further, management is mulling to expand its capacity by twofold over next two years, depending on market scenario. The capex could likely be of around Rs.40 crore, however SMPL is not expected to avail any external debt for the same.

### **Stable Demand Outlook**

The demand for edible oil is anticipated to grow annually at around 5% in the medium term, with increasing disposable incomes, rising urbanization rates, changing dietary habits and the growth of the food processing sector; along with low per capita consumption of oil in India as compared to global standards. Furthermore, consumption of mustard oil is around 40% in total oil consumption of India. The varied application of mustard oil (as an antiseptic and for holy purposes) are expected to sustain its demand.

### **Key weaknesses**

#### **Susceptibility of profitability to fluctuation in oil / oil seed prices along with exposure to agro-climatic conditions**

SMPL uses mustard seeds as well as mustard cake as the key raw material for the extraction process. Mustard seed, being an agro commodity, is harvested from March to May/June and hence has seasonality associated with it. Its availability and price are affected by various factors such as monsoon, area under cultivation, global pricing scenario (linked to global demand supply) and government policies leading to volatility in the same. Furthermore, fluctuation in prices of other edible oils also impacts the profitability of industry players, given the substitution impact to an extent.

#### **Presence in the highly competitive edible oil industry**

The Indian edible oil industry is highly fragmented with large number of players operating in organized and unorganized market attributable to low entry barriers with low capital and technical requirements. Larger players operating in the branded segment with diversified product offerings and multi-location presence are better positioned to absorb margin pressure and any change in demand scenario as compared to smaller players who generally have presence in one product segment and hence are more impacted by volatility in oil and oil seeds. Also, edible oil being a price-sensitive product, its demand shall be impacted by price change in other edible oils which form its close substitute.

**Liquidity:** Adequate

SMPL had adequate liquidity with moderate average utilisation of working capital limits stood at ~50% for the past 12 months ended August 2024, absence of any long-term debt with scheduled repayment and free cash & bank balance of Rs.5.07 crore as on March 31, 2024. SMPL had a moderate operating cycle of 57 days in FY24 (58 days in FY23), largely driven by high inventory holding period. SMPL builds up raw material inventory ranging from 60 to 70 days during the mustard seed harvest season from March to May/ June resulting in increase in working capital intensity during that period. SMPL provides credit period of 5-8 days to its customers whereas it receives credit period of upto 15 days from its suppliers with some part of procurement done on advance basis to avail discount.

**Applicable criteria**
[Definition of Default](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Manufacturing Companies](#)
[Financial Ratios – Non financial Sector](#)
[Short Term Instruments](#)
**About the company and industry****Industry classification**

Macro Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Edible Oil

Incorporated in 2007, Tonk (Rajasthan) based SMPL is promoted by Mr. Mukesh Kumar Jain, Mr. Anil Kumar Jain and Mrs. Manisha Jain. The company is engaged in extraction of pungent & refined mustard oil and mustard de-oiled cake from mustard seeds. As on March 31, 2024, SMPL had seed crushing capacity of 300 Tonnes per day (TPD) and refining capacity of 50 TPD.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (Prov.)	Q1FY25 (Prov.)
Total operating income	764.01	778.36	187.72
PBILDT	11.78	17.87	NA
PAT	6.16	10.94	NA
Overall gearing (times)	0.52	0.39	NA
Interest coverage (times)	3.31	5.07	NA

A: Audited, Prov.: Provisional; NA: Not Available, Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** CRISIL has reaffirmed the ratings of SMPL to CRISIL B; Stable/CRISIL A4; INC and continues to be under non-cooperation category due to non-submission of requisite information by the company vide press release dated July 31, 2024

**Any other information:** Not Applicable

**Rating history for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	45.00	CARE BBB; Stable
Fund-based - ST-Working Capital Limits		-	-	-	55.00	CARE A3+

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (01-Sep-22)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (21-Jan-22)
2	Fund-based - LT-Cash Credit	LT	45.00	CARE BBB; Stable	-	1)CARE BBB; Stable (14-Sep-23)	1)CARE BBB; Stable (01-Sep-22)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (21-Jan-22)
3	Fund-based - ST-Working Capital Limits	ST	55.00	CARE A3+	-	1)CARE A3+ (14-Sep-23)	1)CARE A3+ (07-Sep-22)	-

\*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities:** Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - ST-Working Capital Limits	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

## Contact Us

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### About us:

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### Disclaimer:

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