

Sre Ram and Co.

October 04, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	5.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BBB-; Stable and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	40.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	Downgraded from CARE BBB-; Stable / CARE A3 and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

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

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Sre Ram and Co. (SRC) to monitor the rating(s) vide e-mail communications dated August 01, 2024, August 12, 2024, August 19, 2024, September 02, 2024, and September 18, 2024, and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on Sre Ram and Co.'s bank facilities will now be denoted as CARE BB+; Stable/CARE A4+; ISSUER NOT COOPERATING*.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised on account non submission of information required for credit rating despite repeated requests. The ratings assigned to the bank facilities of Sre Ram and Co. continue to factor in vast experience of the partners and long operational track record of the firm, established brand name of "Udhaya Krishna" ghee in the state of Tamil Nadu, and moderate financial risk profile. The ratings are, however, constrained by the non-integrated nature of operations exposing the firm to inventory price risk, geographical concentration in the Tamil Nadu market and thereby susceptibility to the socio-economic condition of the region, Intense competition from other established players, and partnership constitution of the firm.

Analytical approach: Standalone

Outlook: Stable

Detailed description of key rating drivers:

At the time of last rating on October 06, 2023, the following were the rating strengths and weaknesses.

Key Weaknesses

Non-Integrated Nature of Operations and Inventory Price Risk

The firm's operations are non-integrated in nature with low value addition to the final product. SRC uses Butter as the primary raw material to manufacture ghee and stores approx. 90 days of Butter inventory. Due to the commoditized nature of operations and high inventory levels, any revision in the price of commodity can lead to inventory write downs impacting the profitability of the firm.

Operations concentrated in the state of Tamil Nadu with considerable dependence on a single product basket.

The operations of the company are concentrated to the state of Tamil Nadu, thus exposing the company to socio-economic risks associated with the region. However, the firm plans to increase its sales to other states including Karnataka, Kerala, and Andhra Pradesh in the near term, which will aid the company in reducing geographical concentration risk associated with its operations. The company does not have diversified product lines resulting in over dependence on a single product. Any adverse change in consumption pattern of Ghee by the consumers may result in sharp revenue loss.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Competition from established dairy players.

The Dairy industry in India is characterized by intense competition and fragmentation, with the presence of established dairy companies as well as unorganized players. The firm faces competition from other established dairy players in the state who operate in the Branded Segment. The Competition limits the pricing power and the resultant profitability of the industry players in a market which is price sensitive in nature.

Partnership Constitution of business

SRC, being a partnership firm, is exposed to the inherent risk of capital being withdrawn at time of personal contingency and the firm being dissolved upon the death/retirement/insolvency of the partners. Furthermore, any substantial withdrawals from capital accounts would impact on the net worth and thereby the financial profile of the firm. Moreover, partnership firm business has restricted avenues to raise capital which could prove a hindrance to its growth.

Key Strengths

Vast experience of the partners and long operational track record of the firm

SRC is promoted by six partners, who have experience of more than 20 years in the dairy processing industry. The managing partners of the firm are Mr. P Jaganathan and Mr. P Rangaraj. The partners have divided the various functions like Operations, Sales, Purchase and Marketing among themselves. The firm operates with a strong distribution network of 50 super stockists and about 1000 retailers and sells its product (ghee) under the brand name of "Udhaya Krishna" which has an established market position in Tamil Nadu State. The manufacturing facilities of the firm are Accredited with certifications such as ISO 22000:2005, Agmark standard grade, Halal India, fssai, HACCP, and Quest International etc.

Moderate Financial Risk Profile

The capital structure of SRC stood moderately leveraged with overall gearing of 1.38x as on March 31, 2023 (PY: 1.34x). In the past five years the Net worth of the firm more than doubled to Rs. 35.16 crores in FY23 from Rs. 14.33 crores in FY19 on back of healthy accretion to reserves. The Total Debt/ Gross Cash Accrual (TDGCA) ratio stood improved at 4.26x as on March 31, 2023 (PY: 5.24x). The interest coverage also stood comfortable at 5.35x in FY23 (PY: 4.31x). The firm has moderate term debt and relies on its working capital lines from the bank to manage its operations. With healthy Profitability and absence of any major capex plans, Care Ratings expects the financial profile to remain comfortable at the present levels in the medium term.

Steady growth in Scale of operations coupled with healthy Profitability Margins.

The scale of operations has grown steadily, marked by growth in TOI at a CAGR of 8.72% during the past three financials years. The TOI of the company witnessed a robust growth of 41% during FY23 and stood at ₹203.24 crore (PY: ₹144.22 crore) aided by increase in sales volumes as well as realizations on back for stable demand for Dairy products. The sales volume of ghee which stood at 32.71 lakh kg in FY23 (FY22: 26.84 lakh kg). The sales realizations stood improved to Rs. 610 per kg in FY23 from Rs. 507 per kg in FY22. The PBILDT margins of the firm have remained healthy in the range of 9-10% for the past three years and stood at 9.52% in FY23. For 5MFY24, the firm has reported sales of ₹92.67 crores (Refers to the period April 01 to August 31). With demand remaining stable for the dairy products, and an improvement in sales realizations, the growth is expected to be sustained in the medium term.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Policy in respect of non-cooperation by issuers](#)

[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	Food Products	Dairy Products
----------------------------	----------------------------	---------------	----------------

Sre Ram and Co (SRC) is a partnership firm established in the year 2000 by Mr. Jahanathan and his brother Mr. Rangaraj. The firm is engaged in processing and manufacturing of ghee from butter under the brand name of "Udhaya Krishna" which has an established presence in the state of Tamil Nadu. Company has its manufacturing facility in Pollachi, Tamil Nadu with installed capacity of 25 metric tonnes per day. SRC has a cold storage facility of 1600 metric tonnes to store and preserve butter.

Brief Financials (₹ crore)	FY21 (A)	FY22 (A)	FY23 (A)	5MFY24 (UA)
Total operating income	146.42	144.31	203.14	92.68
PBILDT	14.13	13.04	17.68	7.78
PAT	6.51	7.83	11.45	3.18
Overall gearing (times)	1.21	1.34	1.34	NA
Interest coverage (times)	5.85	4.35	4.79	NA

A: Audited UA: Unaudited; NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: CRISIL has placed the ratings of Sre Ram and Co under Issuer -Non-Cooperation category vide PR dated December 21, 2023. Brickworks Ratings has placed the ratings of Sre Ram and Co under Issuer -Non-Cooperation category vide PR dated September 26, 2023. The reason provided by Brickwork and CRISIL Rating is non-furnishing of information for monitoring of rating

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Term Loan		-	-	December 2026	5.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT/ ST-Working Capital Limits		-	-	-	40.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*

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

Annexure-2: Rating history for 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/ ST-Working Capital Limits	LT/ST	40.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING *	-	1)CARE BBB-; Stable / CARE A3 (06-Oct-23)	-	-
2	Fund-based - LT-Term Loan	LT	5.00	CARE BB+; Stable; ISSUER NOT COOPERATING *	-	1)CARE BBB-; Stable (06-Oct-23)	-	-

*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 rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

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

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here
--

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

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Sandeep P Director CARE Ratings Limited Phone: 914428501002 E-mail: sandeep.prem@careedge.in
Relationship Contact Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Jitendra Singh Assistant Director CARE Ratings Limited Phone: 914224502306 E-mail: Jitendra.singh@careedge.in
	Gowthamprabhu V Analyst CARE Ratings Limited E-mail: gowthamprabhu.v@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For detailed Rationale Report and subscription information,
please visit www.careedge.in**