

Shrigrree Agro Foods

October 28, 2024

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|---------------------------|------------------|--|---|
| Long Term Bank Facilities | 42.00 | CARE B-; Stable; ISSUER NOT COOPERATING* | Rating 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

Shrigrree Agro Foods (SAF) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings Ltd.'s rating on SAF bank facilities will now be denoted as CARE B-; Stable; 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 reaffirmation of the long-term rating assigned to the bank facilities of SAF factors in small scale of operations and low profitability margins, weak financial profile, constitution of the entity being a partnership firm, susceptibility of margins to fluctuation in raw materials prices with prospects also dependent on climatic conditions and competitive & fragmented nature of industry coupled with high level of government regulation. The rating also remains constrained due to stretched liquidity profile of the firm. However, these rating weaknesses are partially offset by experience of promoters and favourable location of the manufacturing unit.

Analytical approach: Standalone

Outlook: Stable

Detailed description of key rating drivers:

At the time of last rating on May 22, 2024, the following were the rating strengths and weaknesses (updated for information available from firm):

Key weaknesses

Small scale of operations and low profitability margins

The total operating income of the firm has increased from Rs. 84.70 crores for FY22 to Rs.125.45 crores in FY23 and Rs 138 cr in FY24 (prov.). On account of small scale of operations, the firm is deprived of the benefit of economies of scale. The PBILDT and PAT margin of the firm also stood moderate as reflected by 3.92% and 0.35% respectively in FY24 as against 3.51% and 0.35% in FY23.

Weak financial risk profile:

SAF's financial risk profile is weak as reflected by high overall gearing of 8.20x as on March 31, 2024, as against 8.30x as on March 31, 2023, which was improved on account of timely repayment. The debt service coverage indicators also remain weak and deteriorated, as reflected by total debt to PBILDT and total debt to GCA 12.12x and 77.42x respectively during FY24 as against 11.23x and 43.69x respectively during FY23. The interest coverage ratio stood at 1.16x for FY24 (PY: 1.35x).

Constitution of the entity being a partnership firm

SAF's constitution being a partnership firm has the inherent risk of possibility of withdrawal of the partner's capital at the time of personal contingency and firm being dissolved upon the death/retirement/insolvency of partner. Moreover, partnership firms have restricted access to external borrowing as credit worthiness of partners would be the key factors affecting credit decision for the lenders.

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

Susceptibility of margins to fluctuation in raw materials prices with prospects also dependent on climatic conditions

Agro-based industry is characterized by its seasonality owing to its dependence on the availability of raw materials, which further varies with different harvesting periods. The price of rice moves in tandem with the prices of paddy. Availability and prices of agro commodities are highly dependent on the climatic conditions. The timing of monsoons has a huge bearing on crop availability which determines the prevailing paddy prices. The profitability margins are therefore susceptible to the risk of any adverse price movement in the raw material prices which have remained fluctuating in the past.

Competitive & fragmented nature of industry coupled with high level of government regulation:

The commodity nature of the product makes the rice processing industry highly fragmented, with numerous players operating in the unorganized sector with very less product differentiation. Furthermore, the concentration of rice millers around the paddy growing regions makes the business intensely competitive.

Key strengths

Experienced partners

SAF was incorporated in September 2017 with the commercial operations of the firm commencing from October 2018. The firm was started by Mr. Devinder Singh, Mr. Gurdayal Singh, Mr. Jitesh Goyal and Mr. Ritesh Kumar sharing profits & losses equally. However, Mr. Devinder Singh, Mr. Gurdayal Singh retired from the firm in September 2022, Mr. Jitesh Goyal and Mr. Ritesh Kumar along with Mrs. Amarjeet Kaur and Mrs. Harjeet Kaur are the partners of the firm and they collectively look after the overall operations of the firm. All the partners are graduates by qualification and Mr. Jitesh Goyal and Mr. Ritesh Kumar have accumulated experience varied up to two decades in rice milling business through their association with this entity and other associate concerns.

Favourable manufacturing location

SAF is mainly engaged in milling and processing of rice. The main raw material (paddy) is procured from local grain markets, mainly located in Uttarakhand. The firm's processing facility is situated in Udham Singh Nagar, Uttarakhand, which is a good producer of paddy. Its presence in the region gives additional advantage over the competitors in terms of easy availability of the raw material as well as favourable pricing terms. Moreover, SAF owing to its location is in a position to cut on the freight component of incoming raw materials.

Liquidity: Stretched

The firm's liquidity remains stretched as low cash balance of Rs 0.11 crores and the average working capital utilisation of the firm also remains full in last 12 months and firm regularly takes ad-hoc limits to fulfil its requirements.

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](#)

[Wholesale Trading](#)

About the company and industry

Industry classification

| Macroeconomic indicator | Sector | Industry | Basic industry |
|----------------------------|----------------------------|------------------------------------|-----------------------------|
| Fast Moving Consumer Goods | Fast Moving Consumer Goods | Agricultural Food & other Products | Other Agricultural Products |

Uttarakhand based Shrigree Agro Foods (SAF) was established in September 2017 as a partnership firm and started its commercial operations from October 2018. The firm is currently managed by Mr. Jitesh Kumar Goel, Mr. Ritesh Kumar, Smt. Amarjeet Kaur and Smt. Harjeet Kaur. The firm is engaged in the milling, processing and trading of paddy with an installed capacity to process 10 tonnes per hour (TPH) as on March 31, 2023, at its manufacturing facility located in Sitarganj, Uttarakhand. The firm is having

four associate concerns namely, "G. R. Rice Mill" (established in 1995), "Bhagwati Agro Foods" (established in 2016), "GLD Agri Foods" (established in 2014) and "Narayan Paddy Product" (established in 2016) engaged in rice milling business respectively.

| Brief Financials (₹ crore) | March 31, 2023 (A) | March 31, 2024 (UA) |
|----------------------------|--------------------|---------------------|
| Total operating income | 125.46 | 135.05 |
| PBILDT | 4.40 | 5.30 |
| PAT | 0.44 | 0.47 |
| Overall gearing (times) | 8.30 | 8.20 |
| Interest coverage (times) | 1.35 | 1.16 |

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Brickwork has continued the ratings assigned to the bank facilities of SAF into 'Issuer not-cooperating' category vide press release dated August 14, 2023, on account of non-availability of requisite information from the firm and non-submission of NDS and downgraded the rating to BWR C; Issuer not-cooperating and BWR A4; Issuer not-cooperating

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-Cash Credit | | - | - | - | 35.00 | CARE B-; Stable; ISSUER NOT COOPERATING* |
| Fund-based - LT-Term Loan | | - | - | 31-12-2026 | 0.75 | CARE B-; Stable; ISSUER NOT COOPERATING* |
| Fund-based - LT-Term Loan | | - | - | February, 2026 | 6.25 | CARE B-; Stable; 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-Term Loan | LT | 6.25 | CARE B-; Stable; ISSUER NOT COOPERATING* | 1)CARE B-; Stable (22-May-24) | 1)CARE B-; Stable (20-Jul-23) 2)CARE B-; Stable; ISSUER NOT COOPERATING* (08-May-23) | 1)CARE B; Stable; ISSUER NOT COOPERATING* (16-May-22) | - |
| 2 | Fund-based - LT-Cash Credit | LT | 35.00 | CARE B-; Stable; ISSUER NOT COOPERATING* | 1)CARE D (22-May-24) 2)CARE B-; Stable (22-May-24) | 1)CARE B-; Stable (20-Jul-23) 2)CARE D (20-Jul-23) 3)CARE B-; Stable; ISSUER NOT COOPERATING* (08-May-23) | 1)CARE B; Stable; ISSUER NOT COOPERATING* (16-May-22) | - |
| 3 | Fund-based - LT-Term Loan | LT | 0.75 | CARE B-; Stable; ISSUER NOT COOPERATING* | 1)CARE B-; Stable (22-May-24) | 1)CARE B-; Stable (20-Jul-23) 2)CARE B-; Stable; ISSUER NOT COOPERATING* (08-May-23) | 1)CARE B; Stable; ISSUER NOT COOPERATING* (16-May-22) | - |

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

LT: Long 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-Cash Credit | Simple |
| 2 | Fund-based - LT-Term Loan | 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

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About us:

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