



Rating Rationale

Natraj Proteins Ltd.

24 June 2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 35.50 Crores of Natraj Proteins Ltd.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (March, 2018)	Present
Fund Based	18.00	18.00	Long Term	BWR BB+ (BWR Double B Plus) Outlook:Stable	BWR BB+ (BWR Double B Plus) Outlook:Stable (Reaffirmed)
	17.00	17.00	Short Term	BWR A4+ (BWR A Four Plus)	BWR A4+ (BWR A Four Plus) (Reaffirmed)
Non Fund Based	0.50	0.50	Short Term	BWR A4+ (BWR A Four Plus)	BWR A4+ (BWR A Four Plus) (Reaffirmed)
Total	35.50	35.50	INR Thirty Five Crores & Fifty Lakh Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of the company upto FY19, projected financials upto FY20, publicly available information and information/clarifications provided by the management.

The rating continues to draw strength from the long experience of the promoters in the edible oil industry, locational advantage, consistent performance despite heavy competition and adequate net worth. However, the rating remains constrained by thin profit margins, susceptibility of its operating profitability



to fluctuation in raw material prices and inherent risks associated with agro based industries and competition from other players in the industry and from substitute products like palm oil.

Going forward, the ability of the company to improve its scale of operations and profit margins and achieve projected level of revenue would be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Experienced management** : The management has over two decades of experience in the engineering sector and the company has established relationships with its clients and suppliers.
- **Consistent performance:** Despite stiff competition, the Company has managed to maintain revenues & improve upon its profit margins in FY19.
- **Comfortable capital structure:** The capital structure marked by an overall gearing ratio remained comfortable at 0.87 times as on March 31, 2019. The company largely avails the working capital borrowings. As on March 31, 2019, the company has no term debt.

Credit Weakness :

- **Exposure to volatility in raw material** : NPL uses soya seeds or soya crude oil as its major raw material whose prices are globally determined on the basis of demand and supply of soya seeds, which in turn depends upon rainfall and area under cultivation.
- **Exposure to fragmented industry:** Intense competition in the edible oil segment limits bargaining power vis-a-vis suppliers and customers, thereby affecting profitability. This is compounded by limited ability to pass on price hikes to customers.

Liquidity Profile:

The liquidity of the company is moderate as the current ratio as on FY19 stood at 1.84x. For FY19 Cash and Cash equivalents is Rs. 4.12 crs which majorly consists of cash on hand, balances with banks current accounts.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Natraj Proteins Ltd.** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.



About the Company

NPL, incorporated as a Public Ltd. Company in 1994, was promoted by Mr. Kailash Chand Sharma and Mr. Jagdish Prasad Agarwala. The Company's registered office and manufacturing facilities are located at Itarsi, Madhya Pradesh. The company is listed on the Bombay Stock Exchange. NPL is engaged in solvent extraction and refining of Soyabean edible oil and Soya De-oiled Cake, and has seed crushing and refining capacity of 300 and 60 MTs per day respectively. It procures soybean seeds from local markets/mandis.

Company Financial Performance

NPL has reported total operating income of Rs.190.94 crs and PAT of Rs. 1.15 crs in FY 19 as against total operating income of Rs. 195.55 crs and net profit of Rs. 1.61 crs in FY 18. The company's net worth as on 31st March 2019 stood at Rs. 35.38 crs.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	29 Mar 2018	20 Jan 2017	2 Nov 2015
	Fund Based						
1.	Cash Credit	Long Term	18.00	BWR BB+ (BWR Double B Plus) Outlook: Stable (Reaffirmed)	BWR BB+ (BWR Double B Plus) Outlook: Stable	BWR BB+ (BWR Double B Plus) Outlook: Stable	BWR BBB- (BWR Triple B Minus) (Outlook Stable)
2.	Packing Credit	Short Term	17.00	BWR A4+ (BWR A Four Plus) (Reaffirmed)	BWR A4+ (BWR A Four Plus)	BWR A4+ (BWR A Four Plus)	BWR A3 (BWR A Three)
	Non Fund Based						
3.	Bank Guarantee	Short Term	0.50	BWR A4+ (BWR A Four Plus) (Reaffirmed)	BWR A4+ (BWR A Four Plus)	BWR A4+ (BWR A Four Plus)	BWR A3 (BWR A Three)

	Total	35.50	₹ Thirty Five Crores & Fifty Lakh Only
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Status of non-cooperation with previous CRA (if applicable)-Not to our knowledge.

Key Financial Indicators

Key Parameters	Units	2019	2018
Result Type		Audited	Audited
Total Operating Income	Rs. Crore	190.94	195.55
EBITDA	Rs. Crore	6.21	6.42
PAT	Rs. Crore	1.15	1.61
Tangible Net worth	Rs. Crore	35.38	34.31
Total Debt/Tangible Net worth	Times	0.87	1.58
Current Ratio	Times	1.84	1.38

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.