



## Rating Rationale

**Shree Saraiwalaa Agrr Refineries Limited (SSARL)  
(Formerly known as Saraiwalaa Agrr Refineries Limited)**

16 Aug 2018

**BWR revises the rating to BWR D for the Bank Loan Facilities of Rs 741.72 Crs of Shree Saraiwalaa Agrr Refineries Limited ('SSARL' or 'the Company')**

### Particulars

Facilities#	Amount (Rs Crs)		Tenure	Rating^	
	Previous	Present		Previous (28-May-2018)	Present
<b>Fund based:</b>			Long term	BWR BB [Pronounced as BWR Double B] Outlook: Negative	<b>BWR D [Pronounced as BWR D] Downgraded</b>
Cash Credit/EPC/ Bill Discounting	103.50	103.50			
Term Loans	3.11	3.11			
<b>Non Fund based:</b>			Short term	BWR A4 [Pronounced as BWR A Four]	
Letter of Credit	635.00	635.00			
Bank Guarantee	0.11	0.11			
<b>Total</b>	<b>741.72</b>	<b>741.72</b>	<b>INR Seven Hundred &amp; Forty One Crores and Seventy Two Lakhs Only</b>		

*#Annexure I shows details of credit facilities*

*^For definitions of the rating symbol please visit our website [www.brickworkratings.com](http://www.brickworkratings.com)*

### Ratings downgraded

#### Rationale/ Description of Key Rating Drivers/ Rating sensitivities:

BWR has essentially relied upon the audited financials upto FY17, lenders' feedback, publicly available information and information /clarifications provided by the Company's management.

The rating revision reflects the delays in servicing bank loans by the Company on account of its strained cash flow position. The company's liquidity has been adversely impacted for the last one year due to the impact of demonetization, GST transitional issues, increase in customs duty on the import of crude oil and changing industry & tax structure dynamics, resulting in cash flow mismatches and acute working capital shortage. The account has now been classified as a Non Performing Asset (NPA) by the Andhra Bank (Lead Bank) and ICICI Bank due to delays in servicing loans and devolvement of LCs. The company's business and credit profile has significantly weakened over the past year and continues to be affected by

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volatility in the crude edible oil prices, foreign exchange fluctuations, inherently thin profitability, fragmented and intensely competitive edible oil industry and exposure to regulatory risks.

Going forward, the ability of the Company to ensure funding of the increased working capital requirements, regularize its bank accounts, stabilize operations and generate sufficient cash-flows to service its bank facilities in a timely manner, strengthen its liquidity and improve its credit profile will be the key rating sensitivities.

### **Analytical approach**

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

### **About the Company**

Shree Saraiwwalaa Agr Refineries Ltd (SSARL) [formerly known as Saraiwwalaa Agr Refineries Ltd], Hyderabad was incorporated in 1999. W.e.f. 2nd May 2018, the Company's name has been changed to "Shree Saraiwwalaa Agr Refineries Ltd". SSARL is engaged in manufacturing of refined edible oils & fats, rice and rava products. SSARL sells edible oils such as palm oil, sunflower, groundnut, soya and rice bran oil under the brands Naturralle, Sree Krishna Drop and Mother's Best Choice in Andhra Pradesh and in other southern states. It sells rice under the Naturralle and Subham Gold brands. SSARL has two manufacturing facilities for oil at Maheswaram, Hyderabad, Telangana and a Port based Refinery at Krishnapatnam, Nellore, Andhra Pradesh besides a Rice factory at Maheswaram, Hyderabad, which operates under the name of "Shubam Paddy Processors".

### **Financial Performance**

Net sales was Rs 2330.67 Crs in FY17 as against Rs 2171.20 Crs in FY16. However, Profit after tax significantly declined to Rs 5.47 Crs in FY17 from Rs 15.53 Crs in FY16 mainly due to higher operating expenses pertaining to costs incurred on import of crude oil including commodity hedging loss. PAT and operating margins were weak at 0.23% and 2.05% in FY17. The receivables position has deteriorated in FY17 & FY18 mainly due to demonetization and GST transitional issues. On a provisional basis, the Company has reported net sales of around Rs 2329 Crs for FY18. The key financial parameters are summarized in Annexure II.

**For other details, please refer to our earlier Rating rationale:**

[Previous Rating Rationale](#)

## Rating History

Sl. No.	Instrument/ Facility	Current Rating (2018)			Rating History		
		Tenure	Amount (Rs Crs)	Rating	28-May-2018 <sup>^</sup>	26-Feb-2018 <sup>^</sup>	19-Jan-2018 <sup>^^</sup>
1	Fund based Limits	Long term	106.61	<b>BWR D [Pronounced as BWR D] Downgraded</b>	BWR BB (Negative) Downgraded	BWR BBB (Stable) Downgraded & Removed from ISSUER NOT COOPERATING* category	BWR A-ISSUER NOT COOPERATING* Reaffirmed
2.	Non Fund based Limits	Short term	635.11		BWR A4 Downgraded	BWR A3+ Downgraded & Removed from ISSUER NOT COOPERATING* category	BWR A2+ ISSUER NOT COOPERATING Reaffirmed
	<b>Total</b>		<b>741.72</b>	<b>INR Seven Hundred and Forty One Crores &amp; Seventy Two Lakhs Only</b>			

\*Issuer did not cooperate; Based on best available information

<sup>^</sup>Amount rated: Rs 741.72 Crs; <sup>^^</sup>Amount rated: Rs 762.16 Crs

**Note: An initial rating of BWR A- (Stable)/ BWR A2+ was assigned to the bank loan facilities of SSARL on 8<sup>th</sup> Aug 2014. The ratings were subsequently reaffirmed on 27-Oct-2015 & 22-Nov-2016.**

**Status of Non Cooperation with Other CRA:** CRISIL Ratings has suspended its ratings of the bank loan facilities of Shree Saraiwvalaa Agr Refineries Limited (SSARL) vide rating rationale dated 1<sup>st</sup> March 2016, on account of non-cooperation by SSARL with CRISIL's efforts to undertake a review of the ratings outstanding.

**Any other information: Not Applicable**

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Default Recognition and Default Curing Period](#)

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**Shree Saraiwalaa Agrr Refineries Limited (SSARL)**

**Annexure I: Details of the bank facilities rated**

S. No.	Bank	Facilities rated (Rs Crs)					
		Term Loans*	Cash Credit	EPC/Bill Discounting	LC	BG	Total
1.	Andhra Bank	2.64	69.00	10.00	323.00	0.11	404.75
2.	SBI	0.47	11.50	-	177.00	-	188.97
3.	ICICI Bank	-	3.00	-	35.00	-	38.00
4.	PNB	-	7.00	-	40.00	-	47.00
5.	TMB	-	3.00	-	47.00	-	50.00
6.	Unallocated Limits **	-	-	-	13.00	-	13.00
<b>Total</b>		<b>3.11</b>	<b>93.50</b>	<b>10.00</b>	<b>635.00</b>	<b>0.11</b>	<b>741.72</b>

\*Term loans outstanding as on 31<sup>st</sup> Jan 2018

\*\*Rated facilities also include unallocated LC limits of Rs 13 Crs ; Facilities as per details provided in February 2018.

**Shree Saraiwalaa Agrr Refineries Limited (SARL)**

**Annexure II**  
**Key Financial Parameters**



Particulars	31/Mar/2016	31/Mar/2017
Result Type	Audited	Audited
Net Sales (Rs Crs)	2171.20	2330.67
EBITDA (Rs Crs)	72.95	47.73
PAT (Rs Crs)	15.53	5.47
Tangible Net Worth (Rs Crs)	199.26	204.72
Total Debt/TNW (Times)	1.58	1.41
Current Ratio (Times)	1.19	1.18

#### For print and digital media

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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

#### About Brickwork Ratings

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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. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

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