

**Press Release**

**Shree Ram Brine Chem Private Limited**

**March 29, 2019**

**Ratings**

<b>Sl. No.</b>	<b>Instrument/Facility</b>	<b>Amount (Rs. Crores)</b>	<b>Rating Assigned</b>
1.	Long Term Fund Based Limits	6.00	IVR BB- /Stable Outlook (IVR Double B Minus with Stable Outlook)
	<b>Total</b>	<b>6.00</b>	

**Details of Facilities are in Annexure 1**

**Detailed Rationale**

The rating derives strength from substantial increase in scale of operation, comfortable capital structure and improvement in debt protection metrics, support from group companies and locational advantage with established client relationship. The rating however is constrained by moderate scale of operation, thin profitability margins, customer and supplier concentration risk, working capital intensive operation, susceptibility to adverse weather conditions and presence in highly fragmented and competitive industry. Growth in scale of operation, profitability and working capital management are the key rating sensitivities.

**List of key rating drivers with detailed description**

**Key Rating Strengths**

**Substantial increase in scale of operation**

The total operating income of the company increased significantly from Rs.15.49 crore in FY17 to Rs.54.97 crore in FY18 due to experience and contacts of the promoters.

**Comfortable capital structure and improvement in debt protection metrics**

The capital structure of the company remains comfortable in the absence of any long term debt. Due to equity infusion by the promoters in FY18, overall gearing of the company improved in FY18.

## **Support from group companies**

Various companies of the Shree Ram group are engaged in manufacturing/trading of salts and allied industries. Also, the company utilises resources of its group entities in managing their daily operations. The group has established its own network leveraging on the past experience of promoters and related parties.

## **Locational advantage with established relationship with clients**

India is the third largest salt producing country after China and USA. Gujarat alone accounts for ~77% of total salt production of the country. Presence of the company in Kutch region is beneficial in terms of doing business. Also, the company has established relationship with most of its clients.

## **Key Rating Weakness**

### **Moderate scale of operation**

Although the company has reported significant growth in the scale of in FY18, it continues to remain moderate.

### **Thin profitability margins**

The profitability margins of the company are low. Although the EBITDA margin increased in FY18, it continues to remain low. Further, PAT margin of the company continues to be low at 0.05% in FY18.

### **Customer and supplier concentration risk**

The company's top five customer constituted ~94% of the total revenue in FY18 indicating a very concentrated client base. Further, top five suppliers comprised ~72.85% of the total raw materials consumed in FY18, indicating concentration risk for the company.

### **Working capital intensive operation**

Operations of the company are working capital intensive. The inventory holding period is generally low over the last three years as the company does not hold any inventory in its warehouse. The debtor collection days and the creditor days are generally high.

## **Susceptibility to adverse weather conditions**

The company's operation is seasonal with maximum business between the months of October to March. The profitability of the company is highly dependent on weather conditions.

## **Presence in highly fragmented and competitive industry**

The company operates in a highly fragmented salt trading industry with the presence of various small to medium scale enterprises. This industry is characterized by low entry barriers and minimal requirement of resources.

## **Analytical Approach & Applicable Criteria**

Standalone

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria on Default Recognition and Post-Default Curing Period

## **Liquidity**

The company is earning a modest level GCA and the same is expected to increase gradually with increase in scale of operation and level of margin. Promoters have financially supported the operation of the business as and when required and the same is expected going forward and a part of which is reflected in increase in net worth on this score. These factors indicate a moderate degree of liquidity support to the company in meeting its debt obligations.

## **About the Company**

Shree Ram Brine Chem Private Limited (SRBPL) was incorporated in February 2010 by Mr. Hiren Humbal and Mr. Yusuf Sangar. The promoters started the company to cater to the growing demand of various grades of salt in the country. SRBPL is a part of Gandhidham based Shree Ram group and is engaged into trading of edible and industrial salts. Both the promoters are Directors in the company. The overall operation of the company is managed by Mr. Hiren Humbal. SRBPL has established relationship with its clients and suppliers. The company has uninterrupted supply of raw material at competitive prices due to its arrangement with local villagers and also from its group companies/promoters. Some of the major group companies are Shree Ram Chemfood and Shree Ram Chemicals. Most of the group entities are involved in the business of manufacturing and trading of salts.

**Financials (Standalone)**

**(Rs. crores)**

<b>For the year ended* / As On</b>	<b>31-03-2017 (Audited)</b>	<b>31-03-2018 (Audited)</b>
Total Operating Income	15.49	54.97
EBITDA	0.07	0.81
PAT	0.02	0.03
Total Debt	1.03	5.40
Tangible Networkth	0.05	1.52
EBITDA Margin (%)	0.43	1.48
PAT Margin (%)	0.10	0.05
Overall Gearing Ratio (x)	19.50	3.55

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA: N.A**

**Any other information: N.A**

**Rating History for last three years:**

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Fund Based Facilities – Cash Credit	Long Term	6.00	IVR BB- /Stable Outlook	--	--	--

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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## About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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## Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Limits - Cash Credit	--	--	--	6.00	IVR BB-/Stable Outlook