

Press Release

Om Industries

October 29, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs. 12.00 crore bank facilities of Om Industries. The outlook is '**Stable**'.

Established in 2009, Om Industries (OI) is engaged in extraction of cottonseed oil. OI has an installed capacity of 100 tpd. OI is a part of Omshree group of companies and is an expansion to Shri Madhur Food Products Private Limited (SMFPPL).

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

Omshree group has been associated with the edible oil industry for almost four decades. The group was promoted by Late Mr. Hansraj Agrawal, currently managed by the Agarwal family. The management is well supported by qualified professionals. Extensive experience of the group and promoters has helped the group in establishing healthy relations with reputed players including the Charoen Pokphand group, Suguna Foods Limited, Japfa Comfeed India Private Limited, Godrej Agrovet Limited, among others. Acuite believes that the group will continue to benefit from its experienced management which has helped it to maintain long standing relations with its customers and suppliers.

- **Comfortable working capital operations**

The group's working capital cycle has remained comfortable at 53 days in FY2018 (Provisional) against 59 days in FY2017. Gross current assets (GCA) days stood at 72 in FY2018 (Provisional) against 66 in FY2017. The inventory holding period stood at 36 days and collection period stood at 33 days for FY2018 (Provisional) against 44 days and 22 days respectively for FY2017. Further, average cash credit utilization for the past six months stood at ~75 per cent. Acuite believes that the group will continue to effectively manage its working capital cycle in order to maintain a stable credit profile.

Weaknesses

- **Average financial risk profile**

Average financial risk profile of Omshree group is marked by moderate network and debt protection metrics. Tangible network of the group stood at Rs. 42.08 crore as on March 31, 2018 (Provisional) against Rs. 37.03 crore as on March 31, 2017. Gearing (Debt-equity) improved to 1.93 times as on March 31, 2018 (Provisional) from 2.37 times in the previous year. The total debt of Rs. 80.94 crore as on March 31, 2018 (Provisional) majorly comprises of working capital borrowings of Rs. 80.86 crore and unsecured loans of Rs. 0.08 crore. Interest coverage ratio (ICR) stood at 2.47 times for FY2018 (Provisional) as against 2.08 times for FY2017. Total outside liabilities to tangible net worth (TOL/TNW) stood at 2.52 times as on March 31, 2018 (Provisional) as against 2.69 times as on March 31, 2017. Acuite believes the company's ability to improve its net worth (backed by moderate net cash accruals) along with debt protection metrics will remain key sensitivity.

- **Vulnerability to volatility in soyabean prices**

The group is exposed to fluctuations in raw material prices i.e. soyabean. Being an agro product the industry is dependent on monsoon, crop yield, area under cultivation and government schemes. Margins of the edible oil players are also affected when rainfall is erratic which in turn leads to short

supply of soya crop. Also, India being a huge importer of soyabeans, domestic and international prices impact the industry. The group's raw material cost accounts for ~88 percent in its cost of sales. Thus its profitability is exposed to volatility in raw material prices. Edible oil industry is characterized by thin margins due to low value additive nature and intense competition. The group's operating margin stood low at 2.67 percent in FY2018 (Provisional) as against 2.07 percent in FY2017 and 1.67 percent in FY2016. In-line with the operating margins Profit after Tax (PAT) margins stood at 1.35 percent in FY2018 (Provisional) as against 0.60 percent in FY2017 and 0.39 percent in FY2016.

Analytical Approach

Acuite has considered the consolidated business and financial profiles of Omshree Agro Tech Limited, Omshree Agro Industries Private Limited, Om Industries and Shri Madhur Food Products Private Limited. The consolidation is due to the common management, strong operational and financial synergies within the group.

Outlook: Stable

Acuite believes the group will maintain a 'Stable' business risk profile over the medium term. The group will continue to benefit from its experienced management and comfortable working capital. The outlook may be revised to 'Positive' in case the group registers healthy growth in revenues while achieving sustained improvement in operating margins and capital structure. Conversely, the outlook may be revised to 'Negative' in case of decline in the group's revenues or profit margins, or in case of deterioration in the company's financial risk profile.

About the Group

Maharashtra-based Omshree Group was established in 1980 by Late Mr. Hansraj Agrawal by setting up of groundnut crushing oil mill. Later it expanded to crushing of soyabeans and cotton-seeds. The Group is an integrated unit and is engaged in oil extraction and refining of soyabean and cottonseed oil. Retail sales in the group is under the brand-name 'Anmol Soya Oil' for soyabean oil and 'Madhur' for deoiled cake which is used as animal feed in the domestic market.

About the Rated Entity - Key Financials- Consolidated

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	648.73	649.73	631.44
EBITDA	Rs. Cr.	17.35	13.42	10.20
PAT	Rs. Cr.	1.55	1.51	1.46
EBITDA Margin	(%)	2.67	2.07	1.61
PAT Margin	(%)	1.35	0.60	0.39
ROCE	(%)	12.74	10.76	9.71
Total Debt/Tangible Net Worth	Times	1.93	2.37	2.32
PBDIT/Interest	Times	2.47	2.08	1.79
Total Debt/PBDIT	Times	4.67	6.34	6.54
Gross Current Assets (Days)	Days	72	66	56

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BB+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BB+ / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BB+ / Stable

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