

Press Release

Omshree Agro Tech Limited

November 05, 2020



Rating Upgraded

Total Bank Facilities Rated*	Rs. 99.30 Cr. (Enhanced from Rs.86.20 crore)
Long Term Rating	ACUITE BBB- / Outlook: Stable (Upgraded from ACUITE BB)
Short Term Rating	ACUITE A3 (Upgraded from ACUITE A4+)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE BBB-**' (**read as ACUITE triple B minus**) from '**ACUITE BB**' (**read as ACUITE double B**) and the short term rating to '**ACUITE A3**' (**read as ACUITE A three**) from '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.99.30 crore bank facilities of Omshree Agro Tech Private Limited (OATPL) The outlook is '**Stable**'.

The rating revision is in view of the receipt of critical information.

Incorporated in 2005, OATPL is engaged in the extraction of soyabean oil. The day to day operations are managed by its directors, Mr. Sunil Hansraj Agarwal, Mr. Mahendra Omkar Agarwal, Mr. Subhash Omkar Agarwal and Sachin Mahendra Agarwal who has an experience of over two decades in the vegetable oils and product industry. OATPL has a capacity to process 600 tonnes of soyabean seed per day. It is located in Dhule, MIDC area on 250,000 sq.ft. of land.

Analytical Approach

During the previous rating exercise, ACUITE had consolidated the business and financial risk profiles of Omshree Agro Tech Private Limited (OATPL), Om Industries (OI) and Shri Madhur Foods Products Private Limited (SMFPPL) for analytical purposes. The consolidated approach was based on the premise that these companies, collectively referred to as the Omshree group, were in the same line of business, and under the same promoter group and management and there would be operational and financial linkages. However, ACUITE has now adopted a standalone approach owing to non-availability of information for OI and SMFPPL.

Key Rating Drivers

Strengths

• Experience management

The day to day operations are managed by its director, Mr. Sunil Hansraj Agarwal, Mr. Mahendra Omkar Agarwal, Mr. Subhash Omkar Agarwal and Sachin Mahendra Agarwal who has an experience of over two decades in the vegetable oils and product industry. The extensive experience has enabled the company to forge healthy relationships with customers and suppliers. Acuité believes that the company will continue to benefit from its experienced management and established relationships with customers and suppliers.

• Healthy scale of operations

The company reported healthy revenue growth marked by Compounded Annual Growth Rate (CAGR) of 17.01 per cent for the past 3 years ending FY2020. The operating revenue stood at Rs.645.49 crore in FY2019 as against Rs.512.19 crore in FY2018. It has further increased by 8.64 per cent marked by operating revenue of Rs.701.29 crore (Provisional) in FY2020. This is majorly due to the increase in volume sales.

Acuite believes that the scale of operations is expected to increase in near medium term majorly due to healthy demand for edible food products amidst COVID19. Company has registered revenue of around Rs.330.00 crore for the period April to September, 2020.

- **Efficient working capital operations**

OATPL has efficient working capital operations marked by Gross Current Assets (GCA) of 38 days (Provisional) in FY2020 as against 45 in FY2019. The inventory and debtors' levels stood at 3 and 30 days (Provisional) in FY2020 as against 18 and 26 days in FY2019. Further, the average utilization of bank limits stood at ~60 per cent in the last six months ending September, 2020.

Acuité believes that the company's efforts to maintain the working capital operations efficiently will be key rating sensitivity.

- **Healthy financial risk profile**

The financial risk profile is healthy marked by healthy net worth and debt protection measures and moderate gearing. The net worth of the company has increased to Rs.39.39 crore (Provisional) FY2020 from Rs.28.62 crore as on 31 March, 2019. The gearing of the company stood moderate at 1.13 times (Provisional) as on March 31, 2020 as against 1.29 times as on 31 March, 2019. Total debt of Rs.44.52 crore consists of term loans of Rs.0.02 crore and working capital facility of Rs.44.50 crore (Provisional) as on 31 March, 2020. Total outside Liabilities/Tangible Net Worth (TOL/TNW) has improved to 1.15 times (Provisional) as on 31 March, 2020 from 2.18 times as on 31 March, 2019. The Interest Coverage Ratio (ICR) improved to 6.87 times (Provisional) in FY2020 from 2.79 times in FY2019. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.16 times (Provisional) as on 31 March, 2020 from 0.15 times as on 31 March, 2019. Debt Service Coverage Ratio (DSCR) improved to 5.28 times (Provisional) for FY2020 from 2.25 times in FY2019.

Acuité believes the financial risk profile will continue to remain healthy on account of improving the scale of operations and net cash accruals.

Weaknesses

- **Modest profitability**

Operating margins stood at modest levels marked by 1.66 per cent (Provisional) in FY2020 as against 1.86 per cent in FY2019. Further, Profit after Tax (PAT) has stood at 0.89 per cent (Provisional) in FY2020 as against 0.68 per cent in FY2019. Further, the margins of the company are susceptible to volatility in raw material prices, which have been uneven during the period under study. Any significant changes in raw material prices due to import pressure and oversupply would have an impact on the revenues and margins of the company.

Liquidity Position: Adequate

OATPL has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.7.14 crore (Provisional) in FY2020 as against Rs.5.37 crore in FY2019, while its maturing debt obligation was nil for the same period. The company's working capital operations are comfortable as marked by low gross current asset (GCA) days of 38 (Provisional) in FY2020. Further, the reliance on working capital borrowings is low, the cash credit limit in the company remains utilised at ~60 percent during the last 6 months' period ended September, 2020. The current ratio of the company stood at 1.67 times (Provisional) as on March 31, 2020.

Acuité believes that the liquidity will remain adequate due to healthy net cash accruals along with no long term debt and debt-funded capex.

Outlook: Stable

Acuité believes that OATPL will continue to benefit over the medium term from the industry experience of its management. The outlook may be revised to 'Positive' if there is a substantial and sustained improvement in OATPL's operating income or profitability while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening its capital structure and debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Crore	701.29	645.49
Profit after tax (PAT)	Rs. Crores	6.24	4.37
PAT margin	%	0.89	0.68
Total debt / Tangible Net worth	Times	1.13	1.29
PBDIT / Interest	Times	6.87	2.79

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

None.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
27-Jul-2020	Cash Credit	Long Term	35.00	ACUITE BB (Downgraded from ACUITE BBB-) (Indicative)
	Working Capital Demand Loan	Long Term	30.00	ACUITE BB (Downgraded from ACUITE BBB-) (Indicative)
	Standby Line of Credit	Short Term	5.00	ACUITE A4+ (Downgraded from ACUITE A3) (Indicative)
	Letter of Credit	Short Term	15.00	ACUITE A4+ (Downgraded from ACUITE A3) (Indicative)
	Proposed Bank Facility	Long Term	1.20	ACUITE BB (Downgraded from ACUITE BBB-) (Indicative)
08-Nov-2019	Cash Credit	Long Term	35.00	ACUITE BBB- (Indicative)
	Working Capital Demand Loan	Long Term	30.00	ACUITE BBB- (Indicative)
	Standby Line of Credit	Short Term	5.00	ACUITE A3 (Indicative)
	Letter of Credit	Short Term	15.00	ACUITE A3 (Indicative)
	Proposed Bank Facility	Long Term	1.20	ACUITE BBB- (Indicative)
10-Oct-2018	Cash Credit	Long Term	35.00	ACUITE BBB- /Stable (Assigned)
	Working Capital Demand Loan	Long Term	30.00	ACUITE BBB- /Stable (Assigned)
	Standby Line of Credit	Short Term	5.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	15.00	ACUITE A3 (Assigned)
	Proposed Bank Facility	Long Term	1.20	ACUITE BBB- /Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Name of the Bank	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	35.00	State Bank of India	ACUITE BBB-/Stable (Upgraded from ACUITE BB)
Revolving Demand Loan	Not Applicable	Not Applicable	Not Applicable	40.00	State Bank of India	ACUITE BBB-/Stable (Upgraded from ACUITE BB)
CELC Demand Loan	Not Applicable	Not Applicable	Not Applicable	3.50	State Bank of India	ACUITE BBB-/Stable (Upgraded from ACUITE BB)
Standby Line of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	State Bank of India	ACUITE A3 (Upgraded from ACUITE A4+)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	15.00	State Bank of India	ACUITE A3 (Upgraded from ACUITE A4+)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.80	Not Applicable	ACUITE BBB-/Stable (Upgraded from ACUITE BB)

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About Acuité Ratings & Research:

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