

Press Release

Shri Madhur Foods Products Private Limited

October 24, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 17.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) to the Rs. 17.00 crore bank facilities of Shri Madhur Foods Products Private Limited (SMFPPL). The outlook is '**Stable**'.

Established in 1997, SMFPPL is engaged in extraction of cottonseed oil. SMFPPL has an installed capacity of 100 tonnes per day.

Analytical Approach

Acuité 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. Here in after referred to as 'Omshree Group'. The consolidation is view of the common management, strong operational and financial synergies within the group.

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. Acuité 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 utilisation for the past six months stood at ~75 percent. Acuité 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 net worth and debt protection metrics. Tangible net worth 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 working capital borrowings of Rs.80.86 crore and unsecured loan 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. Acuité believes that the company's ability to improve its net worth (backed by moderate net cash accruals) along with debt protection metrics will remain key rating 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 inturn leads to short supply of soya crop. Also, India being a huge importer of soybeans, 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 characterised 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.

Outlook: Stable

Acuité believes that the Omshree 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 revenue or profit margins, or in case of deterioration in the financial risk profile.

About the Group

The Maharashtra-based, Omshree Group was established in 1980 by Late Mr. Hansraj Agrawal by setting up a groundnut crushing oil mill. Later, it expanded to crushing of soyabean and cotton-seeds. The group is an integrated unit and is engaged in oil extraction and refining of soyabean and cottonseed oil. Retail sales of 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

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	648.73	649.73	631.44
EBITDA	Rs. Cr.	15.80	13.42	10.20
PAT	Rs. Cr.	8.78	3.89	2.45
EBITDA Margin	(%)	2.43	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	2.25	2.08	1.79
Total Debt/PBDIT	Times	5.12	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	4.50	ACUITE BBB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BBB- / Stable

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About Acuité Ratings & Research:

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