

Press Release

Ritika Vegetable Oil Private Limited

January 07, 2021



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.31.45 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed its long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) on the Rs.31.45 crore bank facilities of Ritika Vegetable Oil Private Limited. The outlook is '**Stable**'.

About the company

Rajasthan-based, Ritika Vegetable Oil Private Limited (RVOPL) was incorporated in 2013 and is part of Data Group (DG). The company is engaged in the extraction of edible oil from mustard seeds as well as trading of edible oil and sale of mustard oil cake. The crushing plant of the company is located in Alwar, Rajasthan with an installed capacity of 56000 TPA. Company sales the oil under its brands 'Scooter', 'Shiv' and 'Ashoka'.

About the Group

Rajasthan-based, Data Group (DG) is promoted by Data family and the group has a presence in edible oil sector and IT sector. Group has a presence in edible oil industry through- Ritika Vegetable Oil Private Limited (RVOPL), Shree Hari Agro Industries Limited (SHAIL), Vijay Industries (VI), Saurabh Agrotech Private Limited (SAPL), and Data Ingenious Global Limited (DIGL). RVOPL is engaged in the extraction of edible oil from mustard as well as sale of mustard oil cake. SHAIL is engaged in solvent extraction of mustard oil cake and exporting of de-oiled cake, also in processing of Vanaspati ghee and refined oil. VI is engaged in extraction of edible oil from mustard as well as sale of mustard oil cake. SAPL is engaged in processing of edible oil from mustard seeds as well as trading of edible oil and sale of blended vegetable oil. DIGL is engaged in providing IT services and trading of edible oils. The group sales edible oil in the domestic market through its distribution mainly in North East Area, Bihar, Rajasthan, Haryana and Delhi under the brand names of 'Scooter', 'Shiv', 'Mast Health' 'Ashoka' and 'Shiv Classic'.

Analytical Approach

For arriving at this rating, Acuité has consolidated business and financial risk profiles of Ritika Vegetable Oil Private Limited (RVOPL), Shree Hari Agro Industries Limited (SHAIL), Vijay Industries (VI), Saurabh Agrotech Private Limited (SAPL), and Data Ingenious Global Limited (DIGL) which are part of 'Data Group' (DG). The consolidation is in the view of common management, strong operational and financial linkages between the entities, and similar line of business. Extent of consolidation: Full.

Key Rating Drivers

Strengths

- **Experienced Management**

Data Group, which is managed by Mr. Babu Lal Data, Mr. Deepak Data and Mr. Ajay Data. Mr. Babu Lal Data has more than four decades of experience in the edible oil industry, which has helped them to develop long standing relations with the suppliers and customers in the market. He is assisted by his family members Mr. Deepak Data and Mr. Ajay Kumar Data, who have around two decades of experience in the aforementioned industry. Moreover, RVOPL even derives benefit in term of operational synergy with its group concern.

Acuité believes that the group will continue to derive benefit from its experienced management over the medium term.

- **Working capital efficient nature of operations**

Operations of the group are working capital efficient marked by Gross Current Assets (GCA) of 58 days in FY2020 (Provisional) as against 66 days in the previous year. This is majorly on account of inventory holding period of 23 days in FY2020 (Provisional) as against 30 days in the previous year and debtors' collection period of 19 days in FY2020 (Provisional) as against 23 days in the previous year. Group enjoys a credit of around 10-15 days from its suppliers. Current ratio stood at 1.72 times as on 31 March 2020 (Provisional) as against 1.44 times as on 31 March 2019.

- **Moderate financial risk profile**

The financial risk profile of the group is moderate marked by moderate net worth, moderate debt protection metrics, and low gearing. The net worth of the group improved to Rs.90.17 crore as on 31 March 2020 (Provisional) from Rs.72.73 crore as on 31 March 2019. The improvement is on account of accretion of profit to reserves. Financial leverage of the group has reduced in FY2020 over FY2019 as demonstrated by gearing level (debt-equity) and TOL/TNW (Total outside liabilities- Tangible net worth) of 0.77 times and 1.06 times respectively as on 31 March, 2020 (Provisional) as against 0.77 times and 1.67 times respectively as on 31 March, 2019. The total debt of Rs.69.37 crore as on 31 March, 2020 (Provisional) consist of long-term debt of Rs.4.59 crore, unsecured loans of Rs.10.02 crore and working capital borrowings of Rs.54.76 crore. Average profitability margin has led to moderate debt protection metrics. The Interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood at 2.60 times and 2.26 times, respectively in 2020 (Provisional). Debt/EBITDA stood moderately high at 2.78 times in FY2020 (Provisional) as against 3.38 times in FY2019.

Going forward, Acuite believes the financial risk profile of the group will remain moderate backed by no major debt-funded capex plan over the medium term and steady net cash accruals.

Weaknesses

- **Susceptibility of profitability to competitive industry and fluctuations in raw material prices**

The group operates in a highly competitive and fragmented industry and faces tough competition from various established brands in the edible oil industry as well as several unorganized players, which can have an impact on the bargaining powers with the customers and hence on the margins. Profitability margins are also susceptible to raw material price fluctuation and also on the proportion of trading and processing activities of the group. EBITDA margins stood at 2.74 percent in FY2020 (Provisional) as against 2.48 percent in FY2019.

Liquidity Profile: Adequate

DG has adequate liquidity profile marked by moderate net cash accruals to its maturing debt obligations. Group generated net cash accruals of Rs.13.60 crore in FY2020 (Provisional) as against debt obligations of Rs.0.65 crore for the same period. The cash accruals of the group are estimated to remain in the range of around Rs.14.29 crore to Rs.16.48 crore during FY2021-23 against repayment obligation of Rs.0.60 crore during FY2021-23. Group's average bank limit utilization stood at ~74 percent for last six-month period ended Sep, 2020. Group maintained unencumbered cash and bank balances of Rs.1.91 crore as on 31 March, 2020 (Provisional). The current ratio stands moderate at 1.72 times as on 31 March, 2020 (Provisional).

Rating Sensitivities

- Lower than expected operating performance
- Significant decline in profitability margins
- Any deterioration in working capital cycle and liquidity profile of the group

Outlook: Stable

Acuité believes that DG will maintain a 'Stable' outlook over the medium term owing to its established market position in the cold storage business. The outlook may be revised to 'Positive' in case the group achieves more than envisaged sales and profitability while efficiently managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the group's liquidity is deteriorated or significant deterioration in financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	846.42	822.72
PAT	Rs. Cr.	10.55	7.98
PAT Margin	(%)	1.25	0.97
Total Debt/Tangible Net Worth	Times	0.77	1.06
PBDIT/Interest	Times	2.60	2.57

Status of non-cooperation with previous CRA:

Not Applicable

Any other information

Not Applicable

Any Material Covenants

Not Applicable

Applicable Criteria

- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Application of 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 (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
17-Oct-2020	Cash Credit	Long term	25.00	ACUITE BBB-/Stable (Reaffirmed)
	Term Loans	Long term	3.95	ACUITE BBB-/Stable (Reaffirmed)
	Proposed Cash Credit	Long term	2.50	ACUITE BBB-/Stable (Reaffirmed)
01-Sep-2020	Cash Credit	Long term	25.00	ACUITE BBB-/Stable (Assigned)
	Term Loans	Long term	3.95	ACUITE BBB-/Stable (Assigned)
	Proposed Cash Credit	Long term	2.50	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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB-/Stable (Reaffirmed)
Term Loans	Not Available	Not Applicable	Not Available	3.95	ACUITE BBB-/Stable (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BBB-/Stable (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Deepesh Pamnani Analyst - Rating Operations Tel: 011-49731315 deepesh.pamnani@acuite.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,409 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité, Acuite's rating scale and its definitions.