

Press Release

Shree Hari Agro Industries Limited

January 13, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs.21.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable (Assigned)
Short Term Rating	ACUITE A3 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.21.00 crore bank facilities of Shree Hari Agro Industries Limited. The outlook is '**Stable**'.

About the company

Rajasthan-based, Shree Hari Agro Industries Limited (SHAIL), was incorporated in 1995 and is part of Data Group (DG). The company is engaged in Manufacturing of Edible Oil and Exporting of De-Oiled Cake. Company has solvent extraction plant, edible oil refinery and facility to manufacture Vanaspati ghee. Production facility of the company is located in Jaipur with a capacity of 120000 TPA of solvent extraction, 75000 TPA edible oil refinery, and 30000 TPA of Vanaspati plant.

About the Group

Rajasthan-based, Data Group (DG) is promoted by Data family and the group has presence in edible oil sector and IT sector. Group has 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 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 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

Acuite 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)

Not Applicable

*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	16.00	ACUITE BBB-/ Stable (Assigned)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3 (Assigned)

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About Acuité Ratings & Research:

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