

Press Release

Babulal Edible Oils Private Limited

April 29, 2021

Rating Assigned



Total Bank Facilities Rated*	Rs. 35.00 Cr.
Long Term Rating	ACUITE BBB-/ Outlook: Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned its long-term rating of **'ACUITE BBB-' (read as ACUITE triple B minus)** on the Rs.35.00 Cr bank facilities of Babulal Edible Oils Private Limited (BEOPL). The outlook is **'Stable'**.

The rating draws strength from the extensive experience of promoters, moderate financial risk profile and efficient working capital management of Data Group (DG). These strengths are partially offset by susceptibility of profitability to competitive nature of the industry and fluctuation in the raw material prices. Going forward, DG's ability to maintain its working capital management efficiency and scale of operations without any deterioration in its profitability and capital structure will be key monitorable.

About the Company

Rajasthan-based, Babulal Edible Oil Private Limited (BEOPL) was incorporated in October 2019 and is part of Data Group of companies (DG). BEOPL is the packaging arm of the Group and is engaged in packing and repacking of edible oils manufactured by group companies and other entities into pet bottles of different sizes of 200ml, 500ml, 1ltr, 5ltr and 15ltr and sold under various edible oil brands of DG namely 'Scooter', 'Shiv', 'Ashoka' etc.

About the Group

Rajasthan-based, Data Group (DG) is promoted by Data family and the group has its presence across various sectors including real estate, agriculture, wind energy, IT services and edible oils sector. It has presence in the edibles oils sector through - Ritika Vegetable Oil Private Limited (RVOPL), Shree Hari Agro Industries Limited (SHAIL), Data Ingenious Global Limited (DIGL), Saurabh Agrotech Private Limited (SAPL), Vijay Industries (VI) and Babulal Edible Oils Pvt Ltd (BEOPL). RVOPL and VI are manufacturing entities engaged in extraction of edible oil from mustard seeds and sale of mustard oil cake. SHAIL is engaged in solvent extraction from mustard oil cake and exporting of de-oiled cake. Also processing of Vanaspati ghee and refined oil is undertaken under SHAIL. SAPL and DIGL are trading entities engaged in trading of edible oil and sale of blended vegetable oil. BEOPL is the packaging arm of the group. BEOPL is engaged in packing and repacking of edible oils into pet bottles. The Group sells edible oil in the domestic market through its distribution channels mainly in North East India, 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, Acuite has consolidated business and financial risk profiles of Babulal Edible Oil Pvt Ltd (BEOPL), 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 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.

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

• **Moderate financial risk profile**

DG's financial risk profile is moderate marked by modest debt protection metrics and moderate net-worth.

DG's net-worth stood at Rs.83.06 Cr as on March 31, 2020 against Rs.72.73 Cr as on March 31, 2019. The improvement was on account of accretion of profits to reserves and incorporation of BEOPL in FY2020. 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 0.94 times and 1.36 times respectively as on 31st March, 2020 as against 1.06 times and 1.67 times respectively as on 31 March, 2019. The total debt of Rs.77.86 Cr as on 31st March, 2020 consist of long-term debt of Rs.5.62 Cr, unsecured loans of Rs.18.27 Cr and working capital borrowings of Rs.53.98 Cr. The Interest coverage ratio (ICR) stood at 2.90 times in 9MFY21 period as against 2.59 times in FY2020. Debt/EBITDA stood moderately high at 3.13 times in FY2020 as against 3.38 times in FY2019.

Acuite expects DG's financial risk profile to remain moderate in the absence of any major debt laden capex planned over the medium term and steady net cash accruals.

• **Efficient working capital management**

DG's working capital is efficiently managed as reflected in Gross Current Assets days of 57days estimated as on 31st March, 2020 as against 66 days as on 31st March, 2019. The same is driven by inventory days and debtor days of 24 days and 18 days respectively as on 31st March, 2020 as against 30 days and 23 days respectively as on 31st March, 2019. Group enjoys a credit period of 10-15days from its suppliers. The current ratio stood at 1.52 times as on 31st March, 2020 as against 1.44 times as on 31st March, 2019.

Acuite believes DG's ability to manage its working capital efficiently to remain efficient over the medium term on account of the lean inventory levels maintained by the Group and limited credit period extended to its customers.

Weaknesses

• **Susceptibility of profitability to competitive nature of the industry and fluctuations in raw material prices**

Edible oil industry is a highly competitive and fragmented industry with low entry barriers. DG faces tough competition from various established brands in the edible oil industry as well as several unorganized players, which limits its bargaining powers with the customers thereby impacting the profitability margins. Profitability margins are also susceptible to raw material price fluctuation and on the proportion of trading and processing activities of the group. EBITDA margins stood at 1.87 percent in 9MFY21 as against 2.72 percent in FY2020. The same stood at 2.48 percent in FY2019.

Acuite believes DG's ability to improve its profitability will be a key rating sensitivity.

Liquidity Position: Adequate

DG has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The Group generated net cash accruals of Rs.12.67 Cr and Rs.10.82 Cr in FY2020 and FY2019 respectively while its debt obligation to pay during the same period stood in the range of 0.98-1.66 Cr. The cash accruals of the Group are expected to remain in the range of Rs.15-22 Cr over the medium term, while its repayments are estimated to be in the range of Rs.0.60-1.80 Cr for the same period. The gross current asset (GCA) days for the Group were around 57 days estimated as on March 31, 2020 and the unencumbered cash and bank balance was Rs. 1.68 Cr as on March 31, 2020. The average bank limit utilization of the fund based facilities for the six months ended February, 2021 was ranged between 40-75 percent for the six group entities. The current ratio was 1.52 times as on March 31, 2020. Acuite believes that the liquidity of DG is likely to remain adequate over the medium term on account of healthy cash accruals against debt repayments and efficient working capital management.

Material Covenants

None

Rating Sensitivities

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

Rating Outlook: Stable

Acuite believes that DG will maintain a stable outlook over medium term on account of extensive experience of its promoters, moderate financial risk profile and efficient working capital management. The outlook may be revised to 'Positive' in case the company achieves higher than expected improvement in its scale of operations and profitability while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative' in case of substantial reduction in its scale of operations, sharp decline in its operating margins and deterioration in working capital management adversely affecting its liquidity position.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	846.21	822.72
PAT	Rs. Cr.	9.62	7.98
PAT Margin	(%)	1.14	0.97
Total Debt/Tangible Net Worth	Times	0.94	1.06
PBDIT/Interest	Times	2.59	2.57

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- 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>
- 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)

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
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE BBB- /Stable (Assigned)

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About Acuité Ratings & Research:

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