

Press Release

Ajit Singh Om Parkash Private Limited

February 03, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	5.00	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	55.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long term rating to 'ACUITE BBB-' (read as ACUITE triple B minus) and short term rating to **ACUITE A3** (read as ACUITE A three) on the Rs. 55.00 crore bank facilities of Ajit Singh Om Parkash Pvt Ltd (ASOPL). The outlook is 'Stable'.

Rationale for rating assigned

The rating assigned reflects long established track record of operations and extensive experience of promoters with improved revenue generation by the company in 9 M FY 2022. The above mentioned rating strengths are partly offset by its moderate financial risk profile and working capital intensive operations.

About the Company

Ajit Singh Om Parkash Private Limited is incorporated on 31 March 1989 as a private limited company. However, before that they have started with a small shop back in 1958. A family owned company is engaged in grading and trading of pulses, edible oils, dry fruits and nuts and other grocery items. Company is selling its products under different Brand names, like Pulses, Rice, Edible oils and many other grocery items are sold in the Brand name of A+Plus, Century and Angan whereas dry fruits and nuts are sold in the brand name of Nuts about you. Directors of Ajit Singh Om Parkash Private Limited are Vinod Kumar, Gurcharan Dass, Rajan Arora, Parmod Kumar, Rahul Arora, Manik Arora, Ankit Arora, Shobhit Arora and Om Prakash. The main promoters of the company Mr Gurcharan Dass and Mr Om Prakash have an experience of more than 50 years in this line of business.

Company has a grading and processing plants located at Nawanshahr, Punjab with a capacity of 200 TonnePerDay and at Indore, Madhya Pradesh with a 30 TonnePerDay.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Ajit Singh Om Parkash Pvt Ltd to arrive at this rating.

Key Rating Drivers

Strengths

Established Track record and extensive experience of the promoters

Incorporated in 1989, Ajit Singh Om Prakash Pvt Ltd (ASOPL) has a long track record of more than three decades in this line of business. Company is a family owned business started as a small trading shop back in 1958. Company provides a range of products sold under different brand name through various supermarket stores and e-commerce like Metro, Walmart, Amazon and Flipkart. The promoters of the company, Mr Gurcharan Das and Om Prakash have an experience of more than 50 years in this line of business. The established track record of ASOPL and extensive experience of the promoters help the company to maintain a strong and long relation with customers.

Acuité believes ASOPL will continue to benefit from its long track of operations, extensive experience of promoters and long standing relation with its customers over the medium term.

Improvement in Scale of Operations

ASOPL's scale of operation has improved in 9M FY 2022, as they have already achieved a revenue of Rs 220 Cr which is almost equivalent to the company's last fiscal year revenue. The company's operating performance has shown marginal growth in last three years with a revenue of Rs 188.12 Cr in FY 2019, Rs 215.43 Cr in FY 2020 to Rs 224.15 Cr in FY 2021. Operating margins of the company has also improved over the last three years from 3.01% in FY 2019 to 3.50% in FY 2021.

Weaknesses

Moderate Financial Risk Profile

Company's financial risk profile is moderate marked by moderate net worth, moderate total outside liabilities to tangible net worth (TOL/TNW) and moderate coverage indicators. Tangible net worth of the company stood at Rs 26.64 Cr in FY 2021 as against Rs 24.86 Cr in FY 2020, increase in net worth is marginal as profit margins of the company are very thin. Total Debt of the company is Rs 57.02 Cr as on 31 st March 2021 consists of Rs 7.66 Cr of long term borrowings, Rs 2.01 Cr of USL from directors and others, Rs 44.77 Cr of short term borrowings and Rs 2.59 Cr of CPLTD. The relatively high debt levels and thin margin have resulted in stretched capitalization and coverage indicators of the company. Gearing of the company stood moderate at 2.14x in FY 2021 against 1.51x in FY 2020 and TOL/TNW of company stood at 2.56x in FY 2021 against 2.06x in FY 2020. While debt-service-coverage-ratio (DSCR) stood at 1.48x in FY 2021 and Interest-coverage-ratio (ICR) at 2.29x in FY 2021.

Acuité believes that capitalization and coverage ratios may stretch further going forward considering that company is planning for a debt funded capex of Rs 5 Cr .

Working Capital Intensive Operation

Company's operations are working capital intensive in nature marked with GCA of 133 days in FY 2021 as compared to 106 days in FY 2020. Increase in GCA days is majorly due to increase in inventory to 100 days in FY 2021 from 69 days in FY 2020. The increase in inventory at the end of FY21 was on account of advance procurement of some of the groceries (Spices, dryfruits, pulses, oils) against orders to be delivered during the month of April and May and also to take the advantage of lower prices during the month of March.

Rating Sensitivities

- Significant improvement in scale of operations and profitability margins thereby improving the financial risk profile
- Deterioration in working capital management leading to stretched liquidity

Material covenants

None

Liquidity Position: Adequate

ASOPL's liquidity position is adequate marked by sufficient net cash accruals available against its maturing debt obligations. Company has a net cash accrual of Rs 3.15-4.10 Cr during the last three years through FY 2019-21 against the maturing debt obligation of Rs 0.99-

2.59 Cr in the same period. Company's Net cash accrual to Total debt stood at 0.07x in FY 2021 and 0.09x in FY 2020. Average working capital utilization in last 6 months is ~80 percent.

Outlook: Stable

Acuité believes that ASOPL will maintain a 'Stable' outlook over the medium term on the back of well established presence of company and experience of the promoter in the industry. The outlook may be revised to 'Positive' in case the company is able to generate healthy revenues while improving its profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its working capital cycle, thereby impacting its liquidity or further deterioration in its financial risk profile

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	224.15	215.43
PAT	Rs. Cr.	1.77	1.27
PAT Margin	(%)	0.79	0.59
Total Debt/Tangible Net Worth	Times	2.14	1.51
PBDIT/Interest	Times	2.29	2.19

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 Entitle: <https://www.acuite.in/view-rating-criteria-61.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:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Axis Bank	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB- Stable Assigned
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB- Stable Assigned
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.70	ACUITE BBB- Stable Assigned
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BBB- Stable Assigned
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3 Assigned
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	0.58	ACUITE BBB- Stable Assigned
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	4.72	ACUITE BBB- Stable Assigned
Axis Bank	Not Applicable	Term Loan	Not available	Not available	Not available	2.00	ACUITE BBB- Stable Assigned

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