

Press Release

Sheel Oil And Fats Private Limited

March 02, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	247.66	ACUITE A- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	247.66	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has assigned the long-term rating of 'ACUITE A-' (read as ACUITE A minus) on the Rs. 247.66 Cr bank facilities of Sheel Oil and Fats Private Limited. The Outlook is 'Stable'.

About Company

Sheel Oil and Fats Private Limited was incorporated in 2009, however the entity commenced its commercial operations in February 2019. The manufacturing plant of the entity is located in Gandhidham, Gujrat near Kandla Port. SOFPL is engaged in the manufacturing of edible oils, oleo chemicals, fatty acids and Glycerin. Sheel Chand Agroils Private Limited holds 80% stake in SOFPL.

About the Group

Sheel Chand Group is promoted by Mr. Mohan Goel and his brother Mr. Pramod Goel along with family members Mrs. Kanta Devi, Ms. Pinky Goel and Mr. Mohak Goel. The group consists of two companies, Sheel Chand Agroils Private Limited which is the promoter entity and Sheel Oil and Fats Private Limited which is the subsidiary entity in which Sheel Chand Agroils Private Limited holds 80% stake. The group is engaged in manufacturing of edible oils, non edible oils, vanaspathi, glycerin and oleo chemicals. The group has a combined manufacturing capacity of 5,40,00 MT.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered consolidated business and financial risk profiles of Sheel Chand Agroils Private Limited and Sheel Oil and Fats Private Limited hereafter referred to as 'Sheel Chand Group'. The consolidation is mainly on account of similarity in the line of business, operational synergies and common management.

Key Rating Drivers

Strengths

Increasing Revenue Profile

The group has seen phenomenal growth in revenue since 2019 after induction of SOFPL in the group. The operating revenue has increased from Rs. 670.17 Cr in FY 2019 (Audited) to Rs. 1426.04 Cr in FY 2020 (Audited) to Rs. 1770.87 Cr in FY 2021 (Audited). The group's revenue has increased on account of increment in capacity utilisation and rise in prices of products sold by the group. Acuite believes that the performance of the group will continue to improve in the medium term on account of better capacity utilization going forward and the increasing trend in the prices of edible and non-edible oils in the commodity market.

Experienced Management and long track record of operations

The promoters of the group have been in the vegetable oil business since a long time and have more than two decades of experience in the industry. The management has gained valuable experience since the inception of the group and has developed strong relationships with customers and suppliers. This has enabled them to navigate the market and helped grow the group to the scale it is presently operating at. Going forward the group will benefit from the relationships fostered by the management and would be able to grow on a sustainable basis.

Improvement in Profitability

The profitability margins for the group are on an uptrend since FY 2019 year on year. The EBIDTA margin has improved from 4.77% in FY 2019 to 6.14% in FY 2021. PAT margin has also seen improvement from -0.24% in FY 2019 to 1.84% in FY 2021. The improvement in margins is on account of increment in prices of products sold in both the units and better performance year on year in terms of revenue of SOFPL.

Moderate Financial Risk Profile

Sheel Chand Group has a moderate financial risk profile marked by moderate net worth, comfortable gearing levels and strong coverage indicators. The tangible net worth for the group stood at Rs. 239.47 Cr as on 31st March 2021 (Audited) as against Rs. 206.91 Cr in FY 2020. The net worth as on 31st March 2021 includes unsecured loans of Rs. 25.62 Cr which is considered as quasi equity. The debt to equity ratio moderated in FY 2021 and stood at 1.48 times as against 1.24 times in FY 2020 on account of closure of Non Fund based facilities and enhancement in fund based facilities and increased utilization levels. The total debt of Rs. 353.57 Cr consisted of Long term debt of Rs. 118.88 Cr, Unsecured loans of Rs. 39.24 of which Rs. 34.32 Cr was freshly infused in FY 2021, Short term debt of Rs. 176.03 Cr which includes cash credit facilities and CPLTD of Rs. 20.32 Cr. The Interest Coverage Ratio improved to 3.10 times in FY 2021 as against 2.62 times in FY 2020 on account of improvement in profitability. The Debt Service Coverage Ratio (DSCR) has also improved to 1.75 times in FY 2021 from 1.51 times in FY 2020 on account of increased Net Cash Accruals in FY 2021. Total Outside Liability to Tangible Net Worth has also improved to 1.60 times in FY 2021 as against 2.20 times in FY 2020 due to drop in value of Creditors/Trade Payables. Further the group has Net Cash Accruals of Rs. 70.22 Cr in FY 2021.

Comfortable Working Capital Management

Working capital management of the group is comfortable in FY 2021 marked by Gross Current Asset (GCA) days of 91 as against 96 days in FY 2020. The inventory and debtor levels stood at 58 days and 12 days in FY 2021 as against 66 days and 12 days in FY 2020 respectively. The Creditor days dropped down to 6 in FY 2021 from 53 days in FY 2020. As a result the average Bank Utilization levels stood at 80% for SCAPL and at 75% for SOFPL. Acuite believes that the working capital requirements will continue to remain comfortable over the medium term on account of its moderate level of debtors and inventory days.

Weaknesses

Competition in Edible Oil Industry

The industry is highly fragmented with presence of both big manufacturers and numerous unorganised players in the market. There is intense competition in the industry with the players

serving regional markets, which is a strategy followed to save on transportation cost. Hence, the group might face pricing pressure from other competitors. Therefore, having an established brand name is of utmost importance in this industry along with continuous addition of value added products in the product offerings.

Price volatility in the commodity market

Prices of edible oil are linked to prices of Crude Palm Oil which is volatile and the sudden movement in price direction might affect the margins of the group going forward. The raw materials are also purchased from international market apart from domestic market and the disruptions in supply chain can affect the availability of raw material and further impact the price of raw materials.

Rating Sensitivities

- Improvement in profitability margins.
- Movement of raw material prices.
- Optimal capacity utilization and demand in the market.

Material Covenants

None.

Liquidity Position: Strong

The group has strong liquidity marked by sufficient net cash accruals to its maturing debt obligations. In FY2021 (Audited), the group have generated a net cash accruals of Rs. 70.22 Cr as against the CPLTD of Rs. 20.32 Cr for the same period. The cash accruals of the group are estimated to remain in the range of around Rs.89.54 Cr to Rs. 98.58 Cr during FY2022-23 against CPLTD of not more than Rs. 20.32 Crore each year. The current ratio for the group stands at 1.94 for FY 2021. Further cash and bank position of the company stood at Rs. 0.15 Cr for FY 2021 and is expected to improve in the coming years.

Outlook: Stable

Acuité believes that Sheel Chand Group will maintain a 'Stable' business risk profile over the medium term. The group will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the group registers healthy growth in revenues, while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the group's revenues or profit margins, or in case of deterioration in the group's financial risk profile and liquidity position.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	1770.87	1426.04
PAT	Rs. Cr.	32.66	7.84
PAT Margin	(%)	1.84	0.55
Total Debt/Tangible Net Worth	Times	1.48	1.24
PBDIT/Interest	Times	3.10	2.62

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

Not Applicable.

Any Other Information

Not Applicable.

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	60.00	ACUITE A- Stable Assigned
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A- Stable Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	65.00	ACUITE A- Stable Assigned
Yes Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	15.05	ACUITE A- Stable Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	57.61	ACUITE A- Stable Assigned

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Shreyansh Singh Management Trainee-Rating Operations Tel: 022-49294065 shreyansh.singh@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 8,850 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 KanjurMarg, 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.