

Press Release

Om Shri Shubh Labh Agritech Private Limited

June 22, 2022

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.50	ACUITE BBB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	12.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BBB**' (read as **ACUITE Triple B**) on the Rs.12.50 Cr bank facilities of Om Shri Shubh Labh Agritech Pvt Ltd (OSSATL). The outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned takes into consideration the established market position of the company in the FMCG industry. The ratings also draws comfort from long and extensive experience of the promoters in the aforementioned industry and augmentation in business risk profile along with sustained growth in scale of operations over the years despite the onset of covid-19 pandemic. The rating also factors the healthy financial risk profile and adequate liquidity position of the company. However, these strengths of the company are partially offset by thin profitability margins due to presence in a highly fragmented and competitive industry.

About Company

Incorporated in 2017, Om Shri Shubh Labh Agritech Pvt Ltd (OSSATL) is promoted by Mr.Girraj Bansal. OSSATL is engaged in trading, repackaging and manufacturing of dry fruits, wheat, pulses, cereals, spices etc. Apart from trading the company also engages in processing of various types of wheat flour. It has two manufacturing plants located at Banmore and Malanpur in Madhya Pradesh with a capacity of 200 MT per day. The company also sells a wide range of products like atta, poha pulses, spices etc under the brand name 'Smart Wife'

About the Group

Om Shri Shubh labh group is engaged in trading, repackaging of various FMCG products, processing of wheat flour and extraction of edible oil. It has four group companies- Om Shri Shubh labh Agrifresh Private Limited (OSSAF), Om Shri Shubh Labh Agritech Retailers (OSSAR), Shri Paramsukh Edible Foods Pvt Ltd (SPEF) and BP Foods (BPF)

OSSAF is engaged in trading of fruits and vegetables. OSSAR is engaged in operating a retail chain- 'C-mart'. The company has 27 retail stores across Uttar Pradesh, Haryana, Noida and Gaziabad. SPEF is engaged in extraction of oil from mustard seeds. It sells this edible oil under the brand name "Smart Wife". The company has a plant located in Gwalior with a capacity of processing 40 MT seeds per day. BPF is engaged in processing of various wheat flour. Its sells

the flour under its brand 'Double Trishul'. The company has five plants located across Madhya Pradesh with a total capacity of 1500 MT per day. BPF was acquired by the promoters of OSSATL in September 2020 from NCLT. All these companies are 100% held by the promoters of OSSATL.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered the consolidated business and financial risk profiles of Om Shri Shubh Labh Agritech Pvt Ltd (OSSATL), Om Shri Shubh labh Agrifresh Private Limited (OSSAF), Om Shri Shubh Labh Agritech Retailers (OSSAR), Shri Paramsukh Edible Foods Pvt Ltd (SPEF) and BP Foods (BPF) to arrive at this rating. The consolidation is in view of the common management, strong operational linkages between the entities.

Key Rating Drivers

Strengths

Established track record of operations with experienced management

OSSATL is based out of Madhya Pradesh and was incorporated in the year 2017. The company is promoted by Mr. Girraj Bansaol who have been engaged in the FMCG industry for more than a decade. The extensive experience of the promoters has helped the company to established long and healthy relationships with reputed customers and suppliers over the years. The key customers of the company include names such as Patanjali Agro India Pvt Ltd, Patanjali Ayurved Ltd and Ruchi Soya Industries Ltd.

Acuité believes that the promoter's experience and reputed clientele is expected to support in improvement of its business risk profile over the medium term.

Augmentation in business risk profile

Om Shri Shubh labh Agritech Private Limited has recorded a robust performance with a 51.85% Y-o-Y growth in its topline. Revenue of the company stood at Rs.2,391.97 Cr in FY2021 as against Rs.1,575.23 Cr in FY2020. Such growth comes at the back of increased offtake of products in Rajasthan and Maharashtra. Further, the promoters of OSSATL in September 2020 acquired 100% stake in BP Foods from NCLT for a total consideration of Rs.50 Cr. BP Foods is engaged in manufacturing of wheat flour like Atta, Maida, Suji, etc and sells the same under the brand 'Double Trishul'. The purchase consideration was to be paid in two parts- Rs. 25 Cr was paid upfront and the rest will be paid in 57 interest free instalments. OSSATL on standalone basis has also recorded a healthy performance with 31.82 % of Y-o-Y growth in its revenue. EBITDA margins of the company remain stable at 1.20% in FY2021 as against 0.80% in FY2020. PAT margins have improved from 0.43% in FY2020 to 5.48% in FY2021. However, such improvement in PAT margins is because of write back of liability in excess of settlement amount as per the resolution plan in BP Foods. The normalised PAT margin for FY2021 excluding the write backs stood at 0.43% in FY2021. In FY2022, OSSATL on standalone basis has registered revenue of Rs.2,122.48 Cr.(Prov) and on consolidated basis recorded a revenue of ~Rs.2,881.83 Cr. (Prov)

Acuité believes that the business risk profile of the company will continue to improve with the diversified product portfolio and healthy demand expected in the FMCG industry.

Healthy Financial Risk Profile

Financial risk profile of OSSATL is healthy with a modest net worth, low gearing and comfortable debt protection metrics. Tangible networth of the company stood at Rs.105.08 Cr. as on 31st March 2021 as against 76.77 Cr as on 31st March, 2020. Gearing of the company stood at 0.74 times as on 31st March, 2021 as against 0.57 times as on 31st March, 2020. Gearing of the company has increased on account of additional debt on account of acquisition of BP foods. TOL/TNW of the company stood at 2.83 times as on 31 March, 2021 as against 3.95 times as on 31st March, 2020. Debt protection metrics remain comfortable with Debt service coverage ratio (DSCR) at 23.82 times in FY2021 as against 4.92 times in FY2020.

Interest Coverage ratio (ICR) stood at 25.43 times in FY2021 as against 6.05 times in FY2020. Acuité believes that the financial risk profile of the company is likely to remain healthy over the medium term on account of low gearing levels and healthy debt protection metrics.

Efficient Working Capital Management

Working Capital operations of the company are efficient marked by GCA days stood at 49 days in FY2021 as against 83 days in FY2020. Contraction in GCA days is driven by lower debtor days in FY2021. As a policy the company extends a credit period of 15-20 days to its debtors. Debtor collection period of the company stood at 35 days in FY2021 as against 63 days in FY2020. Inventory days of the company stood at 9 days in FY2021 as against 13 days in FY2020.

Acuité believes that the working capital operations of the company will remain efficient in the medium term and will continue to remain a key rating sensitivity

Weaknesses

Thin profitability margins along with highly fragmented and competitive industry

The industry is marked by presence of large number of organized and unorganized players in the industry. The industry is intensely competitive and fragmented because of low entry barriers and moderate capital requirements. The operating profit margins of the company remained low at 1.20% in FY2021 as against 0.80% in FY2020. The high competitive industry further limits the pricing flexibility and exerts pressures on the margins of all participants.

Rating Sensitivities

Significant improvement in scale of operations and profitability margins
Stretch in the working capital cycle leading to stretched liquidity position

Material Covenants

None

Liquidity: Adequate

Liquidity of OSSATL is adequate with Net cash accruals of Rs.14.48 Cr as against debt obligation of Rs. 0.13 Cr. Liquidity of the company is expected to be adequate with net cash accruals in the range of Rs.19.33 Cr to 30.66 Cr in the medium term with debt obligations of Rs. 5.23-4.88 Cr during the same period. Bank limit utilisation however stood high at 96.63% for 6 months ended a April 2022. OSSATL maintained unencumbered cash balances of Rs.3.84 Cr in FY2021 as against Rs.10.85 Cr in FY2020.

Acuité believes that the liquidity of the company will continue to remain adequate over the medium term on account of moderate cash accruals with moderate repayments over the medium term.

Outlook: Stable

Acuité believes that OSSATL will continue to maintain a 'Stable' outlook over the medium term owing to its experienced and technically qualified management. The outlook may be revised to 'Positive' if the company reports significant improvement in revenue and scale of operations while maintaining operating profitability, leading to higher cash accruals. Conversely, the outlook may be revised to 'Negative' if the company registers decline in revenue and profitability leading to lower than expected cash accruals or deterioration in the financial risk profile or higher than expected working capital borrowings.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	2391.97	1575.23
PAT	Rs. Cr.	131.07	6.71
PAT Margin	(%)	5.48	0.43
Total Debt/Tangible Net Worth	Times	0.74	0.57
PBDIT/Interest	Times	25.43	6.05

Key Financials (Consolidated)

* PAT of Rs.131.07 Cr in FY2021 includes exceptional write backs of liability in excess of settlement amount as per the resolution plan in BP Foods amounting to Rs.120.74 Cr.

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

Brickwork Ratings, vide its press release dated December 24, 2021 had denoted the rating to Om Shri Shubh Labh Agritech Pvt Ltd (OSSATL) as 'BWR BB /Stable' (Issuer Not Cooperating)' on account of lack of adequate information required for monitoring of ratings

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.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
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.50	ACUITE BBB 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
Deepti Bhandarkar Analyst-Rating Operations Tel: 022-49294065 deepti.bhandarkar@acuite.in	

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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.

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