

## Press Release

Om Shri Shubh Labh Agritech Private Limited

October 28, 2022



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.50	ACUITE BBB   Stable   Reaffirmed	-
Bank Loan Ratings	87.50	ACUITE BBB   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	100.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

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

Further, Acuite has also assigned its long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on Rs. 87.50 crore bank facilities of Om Shri Shubh Labh Agritech Pvt Ltd (OSSATL). The outlook is '**Stable**'.

#### Rationale for reaffirmation

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 Pvt Ltd(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 1800 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 Pvt Ltd (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 and the group is herein referred to as Om Shri Shubh Labh Group (OSSLG)

## **Key Rating Drivers**

### **Strengths**

#### **Established track record of operations with experienced management**

OSSLG is based out of Madhya Pradesh and was incorporated in the year 2017. The company is promoted by Mr. Girraj Bansal 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.

#### **Healthy operating performance**

Om Shri Shubh Labh Group (OSSLG) has recorded a stable growth in its performance with a y-o-y growth of 0.95 percent in FY22. Revenue of the company stood at Rs.2382.68 crore in FY22 (Prov.) as against Rs.2360.15 crore in FY21. Operating profit margin of the group is rangebound between 0.9-1.5 percent. Operating margin improved by 37.01 bps and stood at 1.40 percent in FY22 (Prov.) as against 1.03 percent in FY21. PAT margin of the company in FY21 stood at 5.5%. Such high PAT margins are 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. PAT margin of the company stood at 0.65 percent in FY22 (Prov.) as against 0.43 percent in FY21. OSSLG has recorded sales of Rs. 726.44 crore till August 2022.

Acuité believes that the business risk profile of the company is likely to continue to improve on the back of reputed clientele and healthy demand expected over the near to medium term.

#### **Healthy financial risk profile**

Financial risk profile of OSSALG is healthy with a modest net worth, low gearing and comfortable debt protection metrics. Tangible networth of the company stood at Rs.120.61 Cr. as on 31st March 2022 (Prov.) as against Rs.105.08 Cr as on 31st March, 2021. Networth of the company has strengthened over the years on account of accretion of profits to reserves. Gearing of the company stood at 0.60 times as on 31st March, 2022 (Prov.) as

against 0.74 times as on 31st March, 2021. Gearing of the company has increased in FY21 on account of additional debt on account of acquisition of BP foods. TOL/TNW of the company stood at 2.27 times as on 31 March, 2022 (Prov.) as against 2.83 times as on 31st March, 2021. Debt protection metrics remain comfortable with Debt service coverage ratio (DSCR) at 6.59 times in FY2022 (Prov.) as against 23.61 times in FY2021. Interest Coverage ratio (ICR) stood at 8.93 times in FY2022 (Prov.) as against 3.21 times in FY2021. Acuite believes that the financial risk profile is likely to remain healthy in the absence of any debt-funded capital expenditure.

### **Efficient working capital operation**

Working capital operations of the group is efficient with GCA days of 48 days in FY22 (Prov.) as against 49 days in FY21. GCA days of the company are driven by debtor collection period. Debtor collection period of the group stood at 40 days in FY22 (Prov.) as against 35 days in FY21. Inventory holding period stood at 3 days in FY22 (Prov.) as against 9 days in FY21. The creditor days of the group stood at 30 days in FY2022 (Prov.) as against 33 days in FY2021.

Acuite believes that the working capital operations of the group 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**

Improvement in the scale of operations while maintaining its profitability margin at current level

Stretch in the working capital cycle leading to stretched liquidity position

## **Material Covenants**

None

## **Liquidity: Adequate**

Liquidity of the group is adequate with sufficient net cash accruals as against the debt repayment obligation. Net cash accruals of the company stood at Rs. 25.61 crore as against debt repayment obligation of Rs.0.53 crore in FY22. The company is expected to generate net cash accruals in the range of Rs.28.82-29.55 crore as against debt repayment obligation of Rs. 5.23-4.87 crore. Cash credit limit of Rs. 25 crore remained fully utilised for 6 months ended August 2022. The company also has Rs. 34 crore of CC limits against warehouse receipts which remain unutilised. The company maintains unencumbered cash balance of Rs.2.73 crore as on 31<sup>st</sup> March 2022.

Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy cash accruals against its maturing debt obligations.

## **Outlook: Stable**

Acuite 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 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	2382.68	2360.15
PAT	Rs. Cr.	15.53	129.81
PAT Margin	(%)	0.65	5.50
Total Debt/Tangible Net Worth	Times	0.60	0.74
PBDIT/Interest	Times	8.93	25.21

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

None

### 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 Entitle: <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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 Jun 2022	Cash Credit	Long Term	12.50	ACUITE BBB   Stable (Assigned)

## 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   Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.50	ACUITE BBB   Stable   Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	41.00	ACUITE BBB   Stable   Assigned
Bank of Baroda	Not Applicable	Warehouse Receipt Financing	Not Applicable	Not Applicable	Not Applicable	19.00	ACUITE BBB   Stable   Assigned
State Bank of India	Not Applicable	Warehouse Receipt Financing	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB   Stable   Assigned

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### 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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