

Press Release

Om Shri Shubh Labh Agritech Private Limited

January 30, 2023

Rating Downgraded



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Total Withdrawn Quantum (Rs.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

Rating Rationale

Acuite has downgraded its long-term rating to '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) from '**ACUITE BBB**' (read as **ACUITE Triple B**) on the Rs.100.00 crore bank facilities of Om Shri Shubh Labh Agritech Pvt Ltd (OSSATL). The outlook is '**Stable**'.

Rationale for rating downgrade

The rating downgrade is reflective of the group's high reliance on working capital limits. The working capital limit's of the group remained fully utilised for 6 months ended November 2022. Further, the proposed enhancements in working capital limits to mitigate such high reliance on working capital limits are yet to be availed by the group. The rating downgrade also considers the subdued performance of the group in H1FY23. The total operating income of the group stood at Rs. 795 crore in H1FY23 as against Rs. 901 crore in H1FY22. The rating also considers the healthy financial risk profile of the group and the established market position of the group in the FMCG 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 Food Products Pvt Ltd (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. It 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 May 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 Food Products Pvt Ltd (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 group 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 group to establish long and healthy relationships with reputed customers and suppliers over the years. The key customers of the group include names such as Patanjali Agro India Pvt Ltd, Patanjali Ayurved Ltd and Ruchi Soya Industries Ltd.

The group has recorded a stable operating performance with a y-o-y growth of 0.95 percent in FY22. The revenue of the company stood at Rs.2382.66 crore in FY22 as against Rs.2360.15 crore in FY21. Further, revenue of B P Food Products Pvt Ltd saw a strong growth on account of better utilisation of capacity. The revenue of BPF stood at Rs. 379.47 crore in FY22 as against Rs. 5.57 crore in FY21. However, majority of the sales made by BPF is to Om Shri Shubh Labh Agritech Pvt Ltd. The group has registered a subdued performance in H1FY23 with total operating income of Rs. 795 crore as against Rs. 901 crore in H1FY22. Such moderation in revenue comes at the back of subdued demand in H1FY23.

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 financial risk profile albeit moderate net worth

The financial risk profile of OSSALG is healthy marked by a modest net worth, low gearing and above average debt protection metrics. The tangible networth of the group stood at Rs.113.69 Cr. as on 31st March 2022 as against Rs.105.08 Cr as on 31st March, 2021. Networth of the group has strengthened over the years on account of accretion of profits to reserves. Gearing of the group stood at 0.64 times as on 31st March, 2022 as against 0.74 times as on 31st March, 2021. Gearing of the group has increased in FY21 on account of additional debt on account of acquisition of BPF. TOL/TNW of the group stood at 3.00 times as on 31 March, 2022 as against 2.83 times as on 31st March, 2021. Debt protection metrics remain comfortable with Debt service coverage ratio (DSCR) at 2.44 times in FY2022 as against 3.28 times in FY2021. Interest Coverage ratio (ICR) stood at 6.49 times in FY2022 as against 4.37 times in FY2021.

Acuité believes that the financial risk profile of the group is likely to remain healthy over the near to medium term on account of likely improvement in scale of operations and absence of

large debt-funded capital expenditure.

Efficient working capital operation

Working capital operations of the group is efficient with GCA days of 58 days in FY22 as against 49 days in FY21. GCA days of the group are driven by debtor collection period. The debtor collection period of the group elongated and stood at 49 days in FY22 as against 35 days in FY21. The inventory holding period improved and stood at 3 days in FY22 as against 9 days in FY21. The creditor days of the group stood at 41 days in FY2022 as against 35 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 group remained low at 1.02% in FY2022 as against 1.03% in FY2021. 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 Position Adequate

Liquidity of the group is adequate with sufficient net cash accruals as against the debt repayment obligation. Net cash accruals of the group stood at Rs. 18.71 crore as against debt repayment obligation of Rs5.26 crore in FY22. The group is expected to generate sufficient cash accruals to meet its debt obligation. The group's reliance on working capital limits remains high marked by fully utilised for 6 months ended November 2022. Further, the group has not availed the proposed additions in the working capital limits. The group maintains unencumbered cash balance of Rs.1.76 crore as on 31st March 2022.

Acuite believes that the liquidity of the Group is likely to remain adequate over the medium term.

Outlook: Stable

Acuite believes that Om Shri shubh labh group will continue to maintain a 'Stable' outlook over the medium term owing to its experienced and qualified management. The outlook may be revised to 'Positive' if the group 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 group registers decline in revenue and profitability leading to lower than expected cash accruals or deterioration in the financial risk profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	2382.66	2360.15
PAT	Rs. Cr.	8.61	129.81
PAT Margin	(%)	0.36	5.50
Total Debt/Tangible Net Worth	Times	0.64	0.74
PBDIT/Interest	Times	6.49	4.37

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>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Oct 2022	Warehouse Receipt Financing	Long Term	19.00	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	12.50	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	12.50	ACUITE BBB Stable (Assigned)
	Proposed Bank Facility	Long Term	41.00	ACUITE BBB Stable (Assigned)
	Warehouse Receipt Financing	Long Term	15.00	ACUITE BBB Stable (Assigned)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.50	ACUITE BBB- Stable Downgraded
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.50	ACUITE BBB- Stable Downgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	41.00	ACUITE BBB- Stable Downgraded
Bank of Baroda	Not Applicable	Warehouse Receipt Financing	Not Applicable	Not Applicable	Not Applicable	Simple	19.00	ACUITE BBB- Stable Downgraded
State Bank of India	Not Applicable	Warehouse Receipt Financing	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BBB- Stable Downgraded

Contacts

Analytical	Rating Desk
Deepti Bhandarkar Analyst-Rating Operations Tel: 022-49294065 deepti.bhandarkar@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@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.

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. Ratings assigned by Acuité 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. Ratings assigned by Acuité 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.