



Press Release
Om Shri Shubh Labh Agritech Private Limited
August 16, 2023
Rating Reaffirmed

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

Rating Rationale

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

Rationale for rating action

The rating reaffirmation takes into consideration the established market position of the group in the FMCG industry and long and extensive experience of the promoters in the aforementioned industry. The rating also factors the healthy financial risk profile of the group. However, these strengths of the group are partially offset by the group's high reliance on working capital limits and thin profitability margins due to presence in a highly fragmented and competitive industry. Acuite further takes into account decline in the operations of the group on account of volatility in commodity trade resulting into lower trade volumes and change in the global commodity market scenario due to continued Russia Ukraine War. The group's ability to increase its production capacity utilization resulting into substantial improvement in revenue and profitability remains key rating monitorable.

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 established 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. 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.

Above average financial risk profile

The financial risk profile of OSSALG is above average marked by a modest net worth, low gearing and comfortable debt protection metrics. The tangible networth of the company stood at Rs. 129.15 Cr. as on 31st March 2023 as against Rs. 99.98 Cr. as on 31st March 2022. Networth of the company has strengthened due to equity infusion Rs. 22.55 Cr. and accretion of profits to reserves. The total Debt of the company stood at Rs. 94.04 crore as on 31st March, 2023 (Prov.) as against Rs. 72.47 Cr as on 31st March, 2022. Total Debt of the company consists of Rs. 11.27 Cr of long term debt, short term debt of Rs. 53.79 Cr and unsecured loans of Rs. 26.36 Cr. Gearing of the company stood at 0.73 times as on 31st March, 2023 (Prov.) as against 0.72 times as on 31st March, 2022. Gearing of the company has increased in FY23 on account of additional short term debt to support working capital requirement. TOL/TNW of the company stood at 1.60 times as on 31 March, 2023 (Prov.) as against 3.40 times as on 31st March, 2022. Debt protection metrics remain comfortable with Debt service coverage ratio (DSCR) at 1.89 times in FY2023 (Prov.) as against 2.44 times in FY2021. Interest Coverage ratio (ICR) stood at 4.27 times in FY2023 (Prov.) as against 6.49 times in FY2022.

Efficient working capital operation

Working capital operations of the group though moderated is efficient with GCA days of 69 days in FY23 (Prov.) as against 58 days in FY22. GCA days of the company are driven by debtor collection period. The debtor collection period of the group stood at 50 days in FY23 (Prov.) as against 49 days in FY22. The company on an average extends 30-60 days of credit period to its customers. The inventory holding period stood at 10 days in FY23 (Prov.) as against 3 days in FY22 as the company changed in focus from pure trading to manufacturing wherein the company needs to hold higher inventory. The creditor days of the group stood at 26 days in FY2023 (Prov.) as against 41 days in FY2022.

Weaknesses

Thin profitability margins along with decline in sales

Om Shri Shubh Labh Group (OSSLG) has recorded a decline in operating performance with a y-o-y dip of 37 percent in FY22. The revenue of the company stood at Rs. 1493.31 Cr. in FY23 (Prov.) as compared to Rs.2382.66 crore in FY22. While the revenue of the group has declined the operating profit margin of the group improved. The operating margin improved by 49 bps and stood at 1.51 percent in FY23 (Prov.) as against 1.02 percent in FY22. PAT margin of the company stood at 0.44 percent as against 0.36 percent in FY22. The net sales (net of intercompany transactions) of Om Shri Shubh Labh Agritech Private Limited and B.P. Food

Products Private Limited stood at Rs.415 crore in Q1FY24 as against Rs.336.76 crore in Q1FY23.

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 high competitive industry further limits the pricing flexibility and exerts pressures on the margins of all participants.

Rating Sensitivities

- Ability of the company to scale up its operation resulting into substantial increase in operating revenue
- Ability to improve the profitability position
- 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 company stood at Rs. 14.94 crore as against debt repayment obligation of Rs. 5.26 crore in FY23 (Prov.). The company is expected to generate net cash accruals in the range of Rs. 28 crore as against debt repayment obligation of Rs. 2.63 crore. Cash credit limit in B P Foods of Rs. 56.15 Cr. on an average remained 92.04% utilised for 6 months ended June 2023 and the limit of Rs. 25 Cr. of OSSLAPL remained fully utilised for 6 months ended June 2023. The company maintains unencumbered cash balance of Rs.2.33 crore as on 31st March 2023 (Prov.).

Outlook: Stable

Acuité 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 consistent higher than envisaged 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 further decline in revenue or profitability leading to lower than expected cash accruals or deterioration in the liquidity or financial risk profile or both.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	1493.31	2377.81
PAT	Rs. Cr.	6.62	8.61
PAT Margin	(%)	0.44	0.36
Total Debt/Tangible Net Worth	Times	0.73	0.72
PBDIT/Interest	Times	4.27	6.49

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>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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, Acuité 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
30 Jan 2023	Cash Credit	Long Term	12.50	ACUITE BBB- Stable (Downgraded from ACUITE BBB Stable)
	Warehouse Receipt Financing	Long Term	19.00	ACUITE BBB- Stable (Downgraded from ACUITE BBB Stable)
	Proposed Bank Facility	Long Term	41.00	ACUITE BBB- Stable (Downgraded from ACUITE BBB Stable)
	Warehouse Receipt Financing	Long Term	15.00	ACUITE BBB- Stable (Downgraded from ACUITE BBB Stable)
	Cash Credit	Long Term	12.50	ACUITE BBB- Stable (Downgraded from ACUITE BBB Stable)
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 Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.50	ACUITE BBB- Stable Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	21.00	ACUITE BBB- Stable Reaffirmed
Bank of Baroda	Not Applicable	Warehouse Receipt Financing	Not Applicable	Not Applicable	Not Applicable	Simple	19.00	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not Applicable	Warehouse Receipt Financing	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BBB- Stable Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Sushant Kumar Mishra Senior Manager-Rating Operations Tel: 022-49294065 sushant.mishra@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.

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