

## Press Release

### OM Feed Supplement

August 02, 2022

### Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.00	ACUITE B+   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	12.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has assigned its long term rating of '**ACUITÉ B+**' (read as **ACUITE B plus**) to the Rs 12.00 Cr. bank facilities of Om Feed Supplement (OFS). The outlook is '**Stable**'.

#### Rationale for Rating Assigned

The rating assigned reflects 8 years of experience of the proprietor Mrs. Pratibha Vijay Patil in trading of cattle feed business. The rating is constrained by average financial risk profile, modest scale of operations and volatility in the prices of raw materials. Also it takes into account that the company is purchasing machinery for manufacturing of cattle/poultry feeds for the job work for premium chick feeds private limited which is still in nascent stage and revenue from the same are expected from FY2024.

#### About the Company

Om feed supplement was incorporated in 2019. The company undertakes the business of Trading in Cattle Feed. The registered office of the company is in Nashik. The proprietor of the company is Mrs. Pratibha Vijay Patil.

#### Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of OFS to arrive at the rating.

#### Key Rating Drivers

##### Strengths

##### >Track Record and Experienced management in the cattle feed sector

Om feed supplement was incorporated in 2019. The company undertakes the business of Trading in Cattle Feed. The proprietor Mrs. Pratibha Patil have an experience of nearly 8 years in this business. The firm is purchasing a machinery for manufacturing of poultry feed and the same will be operational from FY2023-24. With the new machinery having a capacity of 250 MT per day, firm will be doing the job work for the premium chick feed private limited with the price fixed at Rs.1305 per Metric Ton.

Acuite believes that the company is expected to continue to benefit from the proprietor's established presence in the industry and its improving business risk profile over the medium

term.

### >Efficient Working Capital Management

The working capital management of the company is efficient marked by GCA days of 48 days in FY2022 (Prov) as against 66 days in FY2021. The debtor days stood at 23 days in FY2022 (Prov) as against 46 days in FY2020 which is in line with the average credit period allowed to customers of 30 – 60 days. However, the inventory days stood at 21 days in FY2022 (Prov) as against 59 days in FY2021.

Acuité believes that efficient working capital management will be crucial to the company in order to maintain a healthy risk profile.

### Weaknesses

#### >Modest Scale of Operations

The scale of operations of the firm remains modest with revenue generated of Rs 1.97 Crores in FY 2022 (Prov) as against Rs 0.74 Crores in FY 2021. The revenue generated is from trading of maize. However, with the job work income from Premium Chick Feeds Pvt Ltd, firm is expecting a growth in revenue from FY 2024 onwards. Firm has achieved a revenue of Rs 50 L in Q1 FY 2022-23.

Acuite believes that operations of the firm will remain modest over the medium term and with the income from job work may increase from FY 2024 onwards.

#### >Average Financial Risk Profile

The financial risk profile of the company stood average marked by low net worth, gearing and debt protection metrics. The tangible net worth stood at Rs.0.55 crore as on 31 March, 2022 (Prov) as against Rs.0.43 crore as on 31 March, 2021. The total debt of the company stood at Rs.0.35 crore includes Rs.0.35 crore of unsecured loans. The gearing (debt-equity) stood at 0.64 times as on 31 March, 2022 (Prov) as compared to 0.81 times as on 31 March, 2021. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 0.64 times as on 31 March, 2022 (Prov) as against 0.82 times as on 31 March, 2021. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.40 times for FY2022 (Prov). The company is purchasing machinery for which the term loan of Rs 13 crore has been availed from the bank in April 2022. Acuité believes that the financial risk profile of the company may impact with low accruals and increase in debt-funded capex.

#### >Susceptibility of profit margins to volatility in raw material prices

The profit margins are susceptible to volatility in raw materials prices majorly the maize and soya beans which are required for manufacturing of poultry feeds. Raw materials' prices are largely dependent on several external factors like demand outlook and productions and are also susceptible to volatility due to factors such as weather conditions, revision in minimum support price of maize by the government and demand and supply scenario in agricultural markets.

### Rating Sensitivities

- Significant improvement in the scale of operations and profitability margins.
- Deterioration of financial risk profile and liquidity

### Material covenants

None.

### Liquidity Position: Moderate

The company's liquidity position is moderate marked by sufficient net cash accruals. The company has net cash accruals in the range of Rs.0.06-Rs.0.14 Crore with no maturing debt obligation from FY 2020- 2022. In addition, it is expected to generate insufficient net cash accrual to repay its debt obligations over the medium term. However, in case of any shortfall in debt servicing, the promoters will introduce its own funds. The working capital management of the company is efficient marked by GCA days of 48 days in FY2022 (Prov) as against 66 days in FY2021. The company maintains unencumbered cash and bank balances of Rs.0.03

crore as on March 31, 2022 (Prov).

Acuité believes that the liquidity positions of the company is a key rating sensitivity.

### Outlook: Stable

Acuité believes that OFS will maintain a 'Stable' outlook owing to the experienced management in the sector. The outlook may be revised to 'Positive' in case of significant growth in its revenues and its profitability and improving its capital structure by equity infusion. Conversely, the outlook may be revised to 'Negative' in case any elongation in its working capital cycle leading to deterioration of its liquidity and financial risk profile.

### Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	1.97	0.74
PAT	Rs. Cr.	0.13	0.05
PAT Margin	(%)	6.70	6.70
Total Debt/Tangible Net Worth	Times	0.64	0.81
PBDIT/Interest	Times	485.00	260.89

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

Not Available.

### Any other information

Not Applicable.

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Abhyudaya Cooperative Bank	Not Applicable	Term Loan	Not available	Not available	Not available	12.00	ACUITE B+   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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