

Press Release

B P Food Products Private Limited

February 01, 2023



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	76.00	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	76.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long term rating of '**ACUITE BBB-**' (read as **Acuite triple B minus**) to Rs. 76 crore bank facilities of 'B P food products private limited'. The outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned 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 the growth in operating income of the group through FY22 albeit moderation in H1FY23 and 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.

About Company

BP Food Products Private limited (BPF) is engaged in manufacturing of various wheat flour. Its sells the flour under its brand 'Double Trishul' and 'Awesome'. BPF is one of the largest wheat milling companies and has five plants located across Madhya Pradesh with a total capacity of 1800 MT per day. The company also has access to best quality wheat which is produced in Madhya Pradesh and has a established network of channel partners in terms of sourcing of raw materials and sale of finished goods. BPF was acquired by the promoters of OSSATL in May 2020 from NCLT.

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. 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 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.

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 BP Food Products Pvt Ltd (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.

Acuite 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 and will remain a key rating sensitivity.

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.

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

Key Financials: B P Food Products Pvt Ltd

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	379.47	5.57
PAT	Rs. Cr.	0.55	117.81
PAT Margin	(%)	0.14	2,113.21
Total Debt/Tangible Net Worth	Times	119.92	1,213.09
PBDIT/Interest	Times	904.20	2,612.78

*PAT of Rs.117.81 Cr in FY2021 includes exceptional write backs of liability in excess of settlement amount as per the resolution plan in BP Food Pvt Ltd amounting to Rs.120.74 Cr.

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

ICRA Ratings vide its press release dated 16.02.2022, had reaffirmed BPF to ICRA D; INC

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:
Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	76.00	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

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