

Press Release

Omshtree Agro Tech Private Limited (Erstwhile Omshtree Agro T Limited)



February 27, 2023

Rating Upgraded and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	101.50	ACUITE BBB Stable Upgraded Negative to Stable	-
Bank Loan Ratings	3.50	Not Applicable Withdrawn	-
Bank Loan Ratings	20.00	-	ACUITE A3+ Upgraded
Total Outstanding Quantum (Rs. Cr)	121.50	-	-
Total Withdrawn Quantum (Rs. Cr)	3.50	-	-

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short term rating to '**ACUITE A3+**' (read as **ACUITE A three plus**) from '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.121.50 crore bank facilities of Omshtree Agro Tech Private Limited (OATPL). The outlook is revised from '**Negative**' to '**Stable**'.

Acuite has withdrawn its rating on the Rs.3.50 crore bank facilities of Omshtree Agro Tech Private Limited (OATPL). The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating. The rating is being partially withdrawn on account of request received from the company and No dues certificate (NDC) received from the banker.

Rationale for rating upgrade and revision in outlook

The rating upgrade of OATPL and revision in the outlook from Negative to Stable takes into account improvement in the company's operational performance in FY2022, comfortable financial risk profile and efficient working capital operations. OATPL reported an increase in its revenues of Rs.1392 Cr in FY2022 as against Rs.808 Cr in FY2021 which is a growth of ~72 percent and has achieved this on account of improved sales realisation backed by an increase in the overall pricing of soyabean and rising demand of soyabean and other bi products in the domestic market which contributed ~94 percent of sales in FY2022 as against ~86 percent of sales in FY2021. However, the revenue stood at Rs.935 Cr in 9M FY2023 and is expected to generate revenue of Rs.1200 Cr – Rs.1250 Cr by year end. The moderation is primarily on account of correction in prices. The operating profitability of the company improved to 5.68 percent in FY2022 as against 1.96 percent in FY2021 and is expected to remain in the range of 4-5 percent over the medium term.

The rating also draws comfort from company's experienced management and established track record of operations. Going forward, ability of the company to maintain a sustainable

growth in its scale of operations and profitability while maintaining its capital structure and an efficient working capital cycle will remain a key rating sensitivity factor.

About the Company

OATPL incorporated in 2005, is a Maharashtra based company engaged in the extraction of soyabean oil from soyabean seeds and it also produces soyabean meal, hulls, lecithin and defatted soya flour. The company has its processing unit located in Dhule, MIDC area in Maharashtra on 2,50,000 sq. ft. of land with an installed capacity to process 600 tonnes of soyabean seed per day.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of OATPL to arrive at this rating.

Key Rating Drivers

Strengths

Experienced management and established track record of operations

OATPL has an operational track record of nearly two decades. It is promoted by its directors Mr. Sunil Hansraj Agarwal, Mr. Mahendra Omkar Agarwal, Mr. Subhash Omkar Agarwal and Mr. Sachin Mahendra Agarwal. The promoters have an extensive experience of over two decades in the vegetable oils and product industry. The directors are being supported by its team of experienced professionals in managing day to day operations of OATPL. The extensive experience of the management has enabled OATPL to establish a healthy relationship with its customers and suppliers.

Acuité believes that OATPL will continue to benefit from its experienced management and established track record of operations.

Moderate financial risk profile

Financial risk profile of OATPL is moderate marked by moderate networth, low gearing and comfortable debt protection metrics. The debt profile of the company has increased to Rs.115 Cr in FY2022 as against Rs.90 Cr in FY2021 on account of availing subsequent amount of GECL term loans from the bank during the covid pandemic phase in order to meet the working capital requirements. The total debt of Rs.115 Cr as on 31 March, 2022 consists of long term bank borrowings of Rs.23 Cr and short term bank borrowings of Rs.92 Cr. Despite of increase in the company's debt profile, the gearing (debt-equity) however stood improved and remained low at 1.15 times as on 31 March, 2022 as against 1.95 times as on 31 March, 2021 since the tangible networth of the company has improved to Rs.100 Cr as on 31 March, 2022 as against Rs.44 Cr as on 31 March, 2021 on account of healthy accretion to reserves. The gearing of the company is expected to improve and remain low over the medium term on account of absence of any debt funded capex plans.

The interest coverage ratio and DSCR stood improved at 20.58 times and 15.60 times respectively for FY2022 as against 3.67 times and 3.02 times respectively for FY2021. The Net Cash Accruals to Total debt stood improved at 0.49 times for FY2022 as against 0.10 times for FY2021. The Total outside liabilities to Tangible net worth stood improved at 1.32 times for FY2022 as against 2.64 times for FY2021. The Debt-EBITDA ratio stood improved at 1.44 times for FY2022 as against 5.41 times for FY2021.

Acuité believes that the financial risk profile of OATPL will remain comfortable over the medium term due to its improving operating performance, moderate debt levels vis-à-vis moderate tangible net worth and comfortable debt protection metrics.

Efficient working capital operations

The working capital operations of OATPL are efficient marked by its Gross Current Assets (GCA) of 57 days for FY2022 which stood improved as against 67 days for FY2021 on account

of its improved receivables cycle which stood at 28 days for FY2022 as against 38 days for FY2021. On the other hand, the inventory cycle of the company stood at 31 days for FY2022 as against 30 days for FY2021 as the company generally maintains an average inventory holding period of around 1 or 2 months to stock the raw materials i.e. soyabean and other packing materials well in advance considering their availability and fluctuating prices. Further, the creditor days stood improved at 3 days in FY2022 as against 14 days in FY2021. The average bank limit utilization for 6 months' period ended December 2022 stood low at ~44 percent.

Acuité believes that ability of OATPL to maintain its efficient working capital cycle over the medium term will remain a key rating sensitivity factor.

Weaknesses

Fluctuating profitability margins

OATPL's profitability margins have fluctuated between 1.86 - 5.68 percent in the last four years ended FY2022. The margins improved significantly in FY2022 to 5.68 percent from 1.96 percent in FY2021 primarily on account of better price realisation of soyabean during the year. Further, the net profit margin of the company also stood high at 3.99 percent in FY2022 as against 0.97 percent in FY2021. The operating margins are expected to moderate in the near term due to overall correction in prices while remaining in the range of 4 - 5 percent over the medium term.

Acuité believes that the ability of OATPL to maintain a sustainable growth in its scale of operations and profitability in near to medium term will remain a key rating sensitivity factor.

Raw material prices are vulnerable to climatic conditions and agricultural output

The key raw material procured by OATPL is soyabean seed. Being agro-product, Soyabean seed is vulnerable to agro-climatic conditions, which affect their availability and price. As food processing business is raw material intensive, any inability to pass on the price risk has a critical bearing on the profitability metrics.

Rating Sensitivities

- Ability to maintain sustainable growth in scale of operations and profitability
- Ability to maintain efficient working capital cycle

Material covenants

None

Liquidity position - Adequate

OATPL has adequate liquidity position marked by sufficient net cash accruals (NCA) to its maturing debt obligations. The company generated cash accruals in the range of Rs.8 Cr to Rs.56 Cr during FY2020 to FY2022 against its repayment obligation of Rs.0.10 Cr during the same period. Going forward the NCA are expected in the range of Rs.42 Cr to Rs.46 Cr for period FY2023-FY2024 against its repayment obligation of Rs.0.10 Cr during the same period. The working capital operations of the company are efficient marked by its improved gross current asset (GCA) days of 57 days for FY2022 as against 67 days for FY2021. The average bank limit utilization for 6 months' period ended December 2022 stood lower at ~44 percent. Current ratio stands at 2.02 times as on 31 March 2022. The company has maintained cash & bank balance of Rs.0.12 Cr in FY2022.

Acuité believes that the liquidity of OATPL is likely to remain adequate over the medium term on account of sufficient cash accruals against its maturing debt obligations.

Outlook: Stable

Acuité has revised the outlook of OATPL from 'Negative' to 'Stable' on the basis of its improved operating performance in FY2022 and believes that it will maintain 'Stable' outlook over the medium term on account of its experienced management with established track record of operations. The outlook may be revised to 'Positive' in case of significant and

sustained growth in revenue and profitability while effectively managing its working capital cycle and keeping the debt levels moderate. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenue or deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	1392.40	808.47
PAT	Rs. Cr.	55.51	7.88
PAT Margin	(%)	3.99	0.97
Total Debt/Tangible Net Worth	Times	1.15	1.95
PBDIT/Interest	Times	20.58	3.67

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

None

Any other information

None

Applicable Criteria

- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.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
29 Nov 2021	Working Capital Demand Loan	Long Term	40.00	ACUITE BBB- Negative (Reaffirmed)
	Working Capital Demand Loan	Long Term	3.50	ACUITE BBB- Negative (Reaffirmed)
	Standby Line of Credit	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	35.00	ACUITE BBB- Negative (Reaffirmed)
	Proposed Bank Facility	Long Term	19.68	ACUITE BBB- Negative (Reaffirmed)
	Working Capital Demand Loan	Long Term	6.82	ACUITE BBB- Negative (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A3 (Reaffirmed)
	Working Capital Demand Loan	Long Term	3.50	ACUITE BBB- Stable (Upgraded from ACUITE BB)

05 Nov 2020	Working Capital Demand Loan	Long Term	40.00	ACUITE BBB- Stable (Upgraded from ACUITE BB)
	Letter of Credit	Short Term	15.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Proposed Bank Facility	Long Term	0.80	ACUITE BBB- Stable (Upgraded from ACUITE BB)
	Standby Line of Credit	Short Term	5.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Cash Credit	Long Term	35.00	ACUITE BBB- Stable (Upgraded from ACUITE BB)
27 Jul 2020	Proposed Bank Facility	Long Term	1.20	ACUITE BB (Downgraded and Issuer not co-operating*)
	Standby Line of Credit	Short Term	5.00	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	35.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Working Capital Demand Loan	Long Term	30.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	15.00	ACUITE A4+ (Downgraded and Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE BBB Stable Upgraded Negative to Stable (from ACUITE BBB-)
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A3+ Upgraded (from ACUITE A3)
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	19.69	ACUITE BBB Stable Upgraded Negative to Stable (from ACUITE BBB-)
State Bank of India	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A3+ Upgraded (from ACUITE A3)
State Bank of India	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	40.00	ACUITE BBB Stable Upgraded Negative to Stable (from ACUITE BBB-)
State Bank of India	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	6.81	ACUITE BBB Stable Upgraded Negative to Stable (from ACUITE BBB-)
State Bank of India	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	3.50	Not Applicable Withdrawn

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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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