

Press Release

Omshtree Agro Tech Private Limited (Erstwhile Omshtree Agro Tech Limited)
May 24, 2024



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	106.50	ACUITE BBB Negative Reaffirmed Stable to Negative	-
Bank Loan Ratings	15.00	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	121.50	-	-

Rating Rationale

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

Rationale for revision in outlook

The outlook revision is on the account of decline in profitability albeit stable revenues. The company in FY23 recorded an operating margin of 2.64 percent as against 5.68 percent in FY22. The operating margin is expected to further decline in FY24. The 10MFY24 the company has recorded the EBITDA margin of 0.81 percent. This decline in trend is attributable to fluctuation in prices of soyabean seeds and other soyabean products and their consequent impact on inventory valuations. Despite the fluctuation in prices the operating income of the company remain stable as it stood at Rs.1192.68 crore in FY23 against Rs.1392.18 Cr. in FY2022. In 10MFY24 the company's operating income stood at Rs.969.16 crore and is estimated to close the year in the range of Rs.1150 – 1200 crore. Further, the financial risk profile of the company remains healthy marked by low gearing and comfortable debt protection metrics. The debt/equity stood at 0.58 times as on March 31, 2023, DSCR stood at 5.04 times and ICR stood at 6.39 times in FY2023. Going forward the company's ability to improve its profitability margins and operating income while maintaining its capital structure will remain a key rating monitorable.

About the Company

OATPL incorporated in 2004, 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.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite 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 tangible networth of the company stood at Rs. 119.25 Cr. as on March 31, 2023 as against Rs.99.54 Cr. as on March 31, 2022. The improvement is on account of accretion of profits to reserves. Further, the outstanding debt as on March 31, 2023 decreased to Rs.68.59 Cr. as against Rs.114.51 Cr. in FY2022. The total debt consists of only short term borrowings. The gearing stood improved at 0.58 times as on 31 March, 2023 as against 1.15 times as on 31 March, 2022. The gearing of the company is expected to remain below unity over the near to medium term.

The interest coverage ratio and DSCR stood improved at 6.39 times and 5.04 times respectively for FY2023 as against 20.58 times and 15.60 times respectively for FY2022. The Net Cash Accruals to Total debt stood at 0.30 times for FY2023 as against 0.49 times for FY2022. The Total outside liabilities to Tangible net worth stood improved at 0.64 times for FY2023 as against 1.32 times for FY2022. The Debt-EBITDA ratio stood at 2.10 times for FY2023 as against 1.44 times for FY2022.

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 Gross Current Assets (GCA) days of 56 days for FY2023 as against 57 days for FY2022. The debtor days stood at 25 days for FY2023 as against 28 days for FY2022. The inventory cycle of the company stood at 30 days for FY2023 as against 31 days for FY2022. Further, the creditor days stood similar at 2 days in FY2023 as against 4 days in FY2022. The average bank limit utilization for 6 months' period ended March 2024 stood moderate at ~61 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 1.42 - 5.68 percent in the last four years ended FY2023. The margins decreased significantly in FY2023 to 2.64 percent from 5.68 percent in FY2022 primarily on account decline in the value of inventory during the year. In 10MFY0224, the company reported operating margin of 1.06% and is estimated to close the year in the range of 1-2 %. Further, the net profit margin of the company also stood low at 1.65 percent in FY2023 as against 3.99 percent in FY2022.

Acuité believes that the ability of OATPL to improve its profitability margins while maintaining its scale of operations will remain a key rating monitorable.

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

Liquidity Position

Adequate

The company has an adequate liquidity position marked by adequate net cash accruals against no maturing debt obligations. The company generated cash accruals of Rs.20.65 crore in FY23 and has no maturing debt over the same period. The company is estimated to generate net cash accruals in the range of RS.7.00 - Rs.21.50 Cr. in FY2025-FY2026 against no repayment obligations. The company maintains unencumbered cash and bank balances of Rs.0.24 crore as on March 31, 2023. The current ratio stood at 2.39 times as on March 31, 2023. The average bank utilization of the company is approximately 61%.

Outlook: Negative

The outlook revision to 'Negative' is on account of decline in operating performance marked by declining profitability margins albeit stable revenues. The outlook may be revised to 'Stable' case the company registers higher-than-expected growth in its profitability while maintaining its scale of operations and capital structure. The rating may be downgraded in case of further decline in profitability margins thereby impacting the company financial risk profile and liquidity position. The rating may come under pressure in case of a further decline in profitability and debt protection metrics. Conversely, the outlook may be revised to 'Stable' in case the company registers higher-than-expected growth in its profitability with improvement in its debt profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	1192.68	1392.18
PAT	Rs. Cr.	19.71	55.51
PAT Margin	(%)	1.65	3.99
Total Debt/Tangible Net Worth	Times	0.58	1.15
PBDIT/Interest	Times	6.39	20.58

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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
27 Feb 2023	Cash Credit	Long Term	35.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Negative)
	Letter of Credit	Short Term	15.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Proposed Long Term Bank Facility	Long Term	19.69	ACUITE BBB Stable (Upgraded from ACUITE BBB- Negative)
	Stand By Line of Credit	Short Term	5.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Working Capital Demand Loan (WCDL)	Long Term	3.50	ACUITE Not Applicable (Withdrawn)
	Working Capital Demand Loan (WCDL)	Long Term	40.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Negative)
	Working Capital Demand Loan (WCDL)	Long Term	6.81	ACUITE BBB Stable (Upgraded from ACUITE BBB- Negative)
29 Nov 2021	Cash Credit	Long Term	35.00	ACUITE BBB- Negative (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A3 (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	18.88	ACUITE BBB- Negative (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.80	ACUITE BBB- Negative (Reaffirmed)
	Stand By Line of Credit	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	6.82	ACUITE BBB- Negative (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	3.50	ACUITE BBB- Negative (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	40.00	ACUITE BBB- Negative (Reaffirmed)

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 avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE BBB Negative Reaffirmed Stable to Negative
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A3+ Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE BBB Negative Reaffirmed Stable to Negative
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.15	ACUITE BBB Negative Reaffirmed Stable to Negative
State Bank of India	Not avl. / Not appl.	Term Loan	09 Mar 2022	Not avl. / Not appl.	29 Feb 2028	Simple	16.00	ACUITE BBB Negative Reaffirmed Stable to Negative
State Bank of India	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	50.00	ACUITE BBB Negative Reaffirmed Stable to Negative
State Bank of India	Not avl. / Not appl.	Working Capital Term Loan	25 Mar 2021	Not avl. / Not appl.	31 Mar 2025	Simple	3.35	ACUITE BBB Negative Reaffirmed Stable to Negative

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Akshat Shah Associate-Rating Operations Tel: 022-49294065 akshat.shah@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. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.