



## Press Release

### Om Shri Shubh Labh Agritech Private Limited (OSSLAPL)

February 16, 2021

#### Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	107.50	IVR BBB-/Credit Watch with Negative Implication  (IVR Triple B minus / Credit Watch with Negative Implication)	Assigned
Short Term Bank Facilities	50.00	IVR A3	Assigned
<b>Total</b>	<b>157.50</b> <b>(One Hundred Fifty-Seven crore &amp; Fifty Lakhs)</b>		

Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating assigned to the OSSLAPL derive comfort from experienced promoters, Growth in sales despite being nascent stage of operations and Efficient working capital management. The rating is however constrained by Customer concentration risk, Thin profitability margin given trading nature of business and Presence in a highly fragmented and competitive agro-commodity trading industry.

The outlook has been kept under Credit Watch with Negative Implications on account of police complaint filed against the company and its promoter for supplying adulterated and sub-standard food items which is said to be under joint investigation of the Jaipur Police and Medical & Health Department. As per the final report filed by the Jaipur police on November 25, 2020 the case is pending under section 173(8) of CRPC for investigation and Infomerics will continue to monitor the developments in this regard and will take a view on the ratings once the exact implications of the above on the operational, business, and credit risk profile of the company are clear.



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### **Key Rating Sensitivities:**

#### **Upward Factors**

- Substantial and sustained growth in operating income and profitability.
- Improvement in working capital utilisation.

#### **Downward Factors**

- Deterioration in debt protection metrics.
- Elongation in the operating cycle impacting the liquidity and higher average utilisation in bank borrowings.
- Any adverse impact of the findings during the investigations undertaken by the authorities.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Experienced Promoters**

The company is promoted by Mr. Girraj Bansal, he has more than fifteen years of experience in running business in various industries including agro, logistic etc. The long-standing experience of the management has also resulted in established relationship with customers resulting in repeat orders.

##### **Growth in sales despite being nascent stage of operations**

The company started its commercial operations in December, 2017, therefore despite FY2019 being its first full year of operations company was managed to book revenue of Rs.1,415.42 crores and further company recorded revenue of Rs.1,576.01 crore in FY2020. This is on account of promoters longstanding experience and relationship with customers.

##### **Efficient working capital management**



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OSSLAPL manages its working capital efficiently. It allows a credit period of around 30-45 days to its customers and maintains inventory of around 7-15 days. The working capital utilisation levels of the company remain moderate as average utilisation levels remained at ~85% during the last nine months ended December 2020.

### **Key Rating Weaknesses**

#### **Customer concentration risk**

OSSLAPL is exposed to customer concentration risk in its revenue profile as it derived ~75 per cent of its revenue from top five customers. Further, top three customers contributed ~70 per cent to its sales in FY2020. The customer concentration is likely to continue in the near to medium term.

#### **Thin profitability margin given trading nature of business**

The profitability margin of the company remains thin due to the trading nature of the business where the profit margins are susceptible to raw material prices and the highly competitive nature of the industry. The EBITDA margin stood low at 0.80% in FY2020 as against 0.54% in FY2019.

#### **Presence in a highly fragmented and competitive agro-commodity trading industry**

The agro-commodity trading business is highly fragmented and characterized by the presence of a large number of organized and unorganized players, which leads to intense competition. The industry also faces constraints with high cost of raw materials, low value addition along with low product differentiation, thus leading to low pricing power.

**Analytical Approach:** Standalone

**Applicable Criteria:**



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- Rating Methodology for Trading Companies
- Financial Ratios & Interpretation (Non- Financial Sector)

### **Liquidity – Adequate**

The liquidity position of the company is expected to remain adequate as the company is expected to generate steady cash accruals as against its minimal scheduled debt repayment obligation in the range of ~Rs.1.03 crore during FY21-23. The company earned a GCA of Rs.8.29 crore in FY20 as against its repayment obligation of Rs.0.81 crore. However, its working capital limits remained moderately starched as the utilisation stood at ~85% during the past nine months ended December 2020.

### **About the Company**

Om Shri Shubh Labh Agritech Private Limited (OSSLAPL) incorporated in 2017 is engaged in the business of trading Cereals, Pulses, Oil seeds, Paddy, Spices, Fruits, Vegetables etc & also engaged in processing of all kind of flour & oil. The Company is headquartered at Gwalior, Madhya Pradesh. It has two branch office located at Delhi and Jaipur (Rajasthan). The company is founded by Shri Girraj Bansal & his family member.

### **Financials (Standalone):**

(Rs. Crore)

For the year ended* As on	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	1,415.42	1,576.01
EBITDA	7.65	12.64
PAT	4.43	6.22
Total Debt	0.19	44.02
Tangible Net Worth	30.99	76.16
EBITDA Margin (%)	0.54	0.80
PAT Margin (%)	0.31	0.39
Overall Gearing Ratio (x)	0.01	0.58



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Status of non-cooperation with previous CRA: N.A.

Any other information: N.A.

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term Loan (Covid Emergency Credit Line)	Long Term	2.50	IVR BBB- /Credit Watch with Negative Implication	-	-	-
2.	Cash Credit	Long Term	25.00	IVR BBB- /Credit Watch with Negative Implication	-	-	-
3.	Cash Credit (Pledge against WHR)	Long Term	19.00	IVR BBB- /Credit Watch with Negative Implication	-	-	-
4.	Proposed Fund Based Bank Facility	Long Term	61.00	IVR BBB- /Credit Watch with Negative Implication	-	-	-
5.	Proposed Non-Fund Based Bank Facility	Short Term	50.00	IVR A3	-	-	-

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	May, 2022	2.50	IVR BBB- /Credit Watch with Negative Implication
Cash Credit	-	-	-	25.00	IVR BBB- /Credit Watch with Negative Implication
Cash Credit (Pledge against WHR)	-	-	-	19.00	IVR BBB- /Credit Watch with Negative Implication
Proposed Long Term Fund Based	-	-	-	61.00	IVR BBB- /Credit Watch with Negative Implication



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Proposed Term Based	Short Non-Fund	-	-	-	50.00	IVR A3
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