



Press Release

Om Shri Shubh Labh Agritech Private Limited (OSSLAPL)

September 23, 2021

Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action
Long term Bank Facilities – Term Loan	1.57 (Reduced from 2.50)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB- /Credit Watch with Negative Implication (IVR Triple B minus / Credit Watch with Negative Implication)	Rating Reaffirmed; removed from Credit Watch with Negative Implication
Long term Bank Facilities – Cash Credit	44.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB- /Credit Watch with Negative Implication (IVR Triple B minus / Credit Watch with Negative Implication)	Rating Reaffirmed; removed from Credit Watch with Negative Implication
Long term Bank Facilities – Proposed	61.93 (Enhanced from 61.00)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB- /Credit Watch with Negative Implication (IVR Triple B minus / Credit Watch with Negative Implication)	Rating Reaffirmed; removed from Credit Watch with Negative Implication
Short term Bank Facilities – Proposed	50.00	IVR A3 (IVR A Three)	IVR A3/ Credit Watch with Negative Implication (IVR A Three/ Credit Watch with Negative Implication)	Rating Reaffirmed; removed from Credit Watch with Negative Implication
Total	157.50			



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Details of Facilities are in Annexure 1

Detailed Rationale

The rating has been reaffirmed and removed from Credit Watch with Negative Implications on account of clean chit given to the directors of the company as per the court order of Jaipur session dated September 21st, 2021. As per the report both Mr. Girraj Bansal & Mr. Ketan Bansal (Directors of Om Shri Shubh Labh Agritech Private Limited) are not found involved in said matter and the Court has dropped the charges levied under section 173 (8) of CRPC.

The rating reaffirmation to the bank facility of OSSLAPL continuous to derive comfort from experienced promoters, growth in sales despite being nascent stage of operations and efficient working capital management. These rating strengths are partially offset due to customer concentration risk, thin profitability margin given trading nature of business and Presence in a highly fragmented and competitive agro-commodity trading industry.

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

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters

The company is promoted by Mr. Girraj Bansal, he has more that 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.



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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.2077.02 crore in FY2021. This is on account of promoters' longstanding experience and relationship with customers.

Efficient working capital management

OSSLAPL manages its working capital efficiently. It allows 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 ~88% during the last twelve months ended July 2021.

Key Rating Weaknesses

Customer concentration risk

OSSLAPL is exposed to customer concentration risk in its revenue profile as it derived ~60 per cent of its revenue from top five customers. Further, top three customers contributed ~55 per cent to its sales in FY2021. 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 trading nature of the business where the profit margins are susceptible to raw material prices and highly competitive nature of industry. The EBITDA margin stood low at 1.20% in FY2021 as against 0.80% in FY2020.

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



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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:

- 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 during FY21-23. The company earned a Gross Cash Accruals (GCA) of Rs.14.81 crore in FY21 as against its repayment obligation of Rs.0.18 crore. However, its working capital limits remained moderately starched as the utilisation stood at ~88.42% during the past twelve months ended July 2021.

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.



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Financials (Standalone):

(Rs. Crore)

For the year ended* As on	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	1,576.01	2,077.02
EBITDA	12.64	24.85
PAT	6.22	11.83
Total Debt	44.02	41.08
Tangible Net Worth	76.16	116.57
EBITDA Margin (%)	0.80	1.20
PAT Margin (%)	0.39	0.57
Overall Gearing Ratio (x)	0.58	0.35

*As per Infomerics' Standard

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 (Dated: February 16, 2021)	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	1.57	IVR BBB-/Stable	IVR BBB- /Credit Watch with Negative Implication	-	-
2.	Cash Credit	Long Term	25.00	IVR BBB-/Stable	IVR BBB- /Credit Watch with Negative Implication	-	-
3.	Cash Credit (Pledge against WHR)	Long Term	19.00	IVR BBB-/Stable	IVR BBB- /Credit Watch with Negative Implication	-	-



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4.	Proposed Fund Based Bank Facility	Long Term	61.93	IVR BBB-/ Stable	IVR BBB- /Credit Watch with Negative Implication	-	-
5.	Proposed Non-Fund Based Bank Facility	Short Term	50.00	IVR A3	IVR A3/ Credit Watch with Negative Implication	-	-

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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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assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

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	1.57	IVR BBB- /Stable
Cash Credit	-	-	-	25.00	IVR BBB- /Stable
Cash Credit (Pledge against WHR)	-	-	-	19.00	IVR BBB- /Stable
Proposed Long Term Fund Based	-	-	-	61.93	IVR BBB- /Stable
Proposed Short Term Non-Fund Based	-	-	-	50.00	IVR A3

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Om-Shri-Shubh-lenders-23sep21.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Term Loans	Simple
2.	Working capital (CC)	Simple

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.