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Shree Hari Agro Industries Ltd.

September 21, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1	Long Term Bank Facility	25.32	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Assigned
2	Short Term Bank Facility	10.00	IVR A3+ (IVR A Three Plus)	Assigned
Total		35.32	INR Thirty-five Crores Thirty-two Lakhs Only	

Details of Facilities are in Annexure 1.

Detailed Rationale

The rating assigned to the bank facilities of Shree Hari Agro Industries Ltd. (SHAIL) considers the common management team and operational & financial linkages between SHAIL and its group concerns, Data Ingenious Global Limited, Ritika Vegetable Oil Private Limited, and Babulal Edible Oils Private Limited. Infomerics has taken a consolidated view of these entities referred together as Data Group. The rating derive comfort from established track record of the group and longstanding experience of the promoters, infusion of unsecured loan by the promoters to support the operations, diversified geographical presence with established brand name and favourable demand prospects of edible oil industry. The rating also factors in comfortable financial performance of the Data Group marked by healthy improvement in its total operating income, improved profitability, comfortable capital structure along with adequate debt protection metrics and efficient working capital management. However, these rating strengths remain constrained due to its exposure to intense competition, inherent low profit margin nature of the industry, exposure to government policies and agro-climatic conditions.

Key Rating Sensitivities

Upward Factors:

- Sustained & significant improvement in revenue and profitability
- Improvement in liquidity



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- Improvement in the capital structure with improvement in TOL/TNW to below 1.5x and sustained improvement in debt protection metrics

Downward Factors:

- Any decline in revenue & profitability leading to deterioration in debt protection metrics with interest coverage moderated to below 2x
- Withdrawal of subordinated unsecured loans from the promoters and/or deterioration in the capital structure with overall gearing rating deteriorated over 2x
- Any major debt funded capital expenditure or increase in working capital intensity leading to tightened liquidity position

List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

- **Experienced promoters with established track record of operations**

Data group was established by Late Mr. Pyare Lal Ji Data in 1940's and is now managed by Data family under the guidance of Mr. Babu Lal Data, Mr. Ajay Data, and Mr Deepak Data. The promoters have been in the industry for over 3-4 decades and have developed deep understanding of the dynamics of the market. The extensive experience of the promoter has helped the group to a large extent in building long standing relationships with customers and suppliers over this period. The second line of management also has experience of more than two decades and has been associated with the group for long period.

- **Established presence of over three decades in the edible oil with diversified geographical presence and established brand name**

The group has diversified presence across various states like Bihar, Rajasthan, Haryana, West Bengal, Delhi and in other North-eastern states. Further, over the years of its presence, the group has established its brands in these areas. The brand names under the group are 'Scooter', 'Shiv', 'Ashoka', 'Ritika' and 'Shivam'.

- **Steady improvement in financial performance of the group**

The Group's revenue is derived primarily from manufacturing and trading of edible oil and oil cakes. The group has achieved consolidated increase in its total operating income over the past three fiscals ending in FY21 at a CAGR of ~35% with a y-o-y growth of ~55% in FY21 (prov.), driven by favourable growth in domestic demand reflected by high sales volumes as well as increased realisations. Further, BEOPL commenced its operations during FY21 and



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have earned a revenue of ~Rs.342 crore in its first year of operation. Without considering the revenue from BEOPL, the group has achieved a growth of ~7%. Given the categorisation of edible oil as an essential commodity during the nationwide phased lockdown undertaken over Q1 FY21 to curb the spread of Covid-19, the group's operations were not severely impacted, barring the initial few weeks of April 2020, when logistics remained a constraint. Further, the group has achieved a revenue of Rs.444.55 crore in the first quarter of FY22.

- **Comfortable capital structure with satisfactory debt protection metrics**

The capital structure of the group remained comfortable over the years as marked by its satisfactory leverage ratios and moderate net worth base. The adjusted tangible net worth (ATNW) of the company remained moderate at ~Rs.76 crore as on March 31, 2021 (Considering subordinated unsecured loans from promoters and relatives aggregating to Rs.13.95 crore as quasi equity). The debt equity ratio and overall gearing ratio remained satisfactory at 0.35x and 0.99x respectively. Further, total indebtedness of the company also remained satisfactory with TOL/ ATNW at 2.01x as on March 31, 2021. Furthermore, gross cash accruals improved from Rs.7.10 crore in FY19 to Rs.16.76 crore in FY21. Further, the debt protection metrics marked by interest coverage ratio, Total debt to GCA and Total debt to EBITDA also remained satisfactory at 3.75x, 4.48 years and 3.22x respectively.

- **Effective working capital Management**

The group exhibits prudent working capital management as reflected by its modest inventory and controlled receivables. The operating cycle of the group remained comfortable at 22 days in FY21 (21 days in FY20).

- **Favorable demand prospects for mustered oil**

Since the companies caters to retailers, dealers and wholesale agents, the customer concentration remains low. The demand prospects of mustered oil are expected to remain stable, as it forms an essential ingredient of the Indian diet and is one of the highest consumed edible oil in India.

B. Key Weaknesses

- **Exposure to government policy and agro-climatic conditions**

The group mainly deals in food and food products, which are essential constituents of the country's food basket, and are regulated by the Government on a continuous basis. The products come under the Essential Commodities Act, wherein the parameters, such as



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stocking and price levels, are tightly controlled. Further, the group is exposed to agro-climatic conditions as the main raw material is an Agro- commodity.

- **Inherent low profit margin nature of the industry with intense competition**

Edible oil industry is a highly competitive and fragmented industry, susceptible to risks pertaining to established brands in the industry as well as other unorganized players. Further, the group operates in a commoditised business and is a price taker. The low value-added nature of its business, combined with the fragmented and unorganised market, results in low profit margins. However, though the profit margins have remained thin, and range bound, yet EBITDA margin improved marginally from 1.80% in FY20 to 2.12% in FY21, along with improvement in PAT margin from 0.95% in FY20 to 1.18% in FY21.

Analytical Approach: Consolidated

For arriving at the rating, Infomerics has combined the financial risk profiles of Data Ingenious Global Limited, Shree Hari Agro Industries Ltd., Ritika Vegetable Oil Private Limited and Babulal Edible Oils Private Limited, as these entities run under a common management, have strong operational and financial linkages and cash flow fungibility. All the four companies combined referred as Data Group hereafter. (List of companies considered for consolidated analysis is given below in **Annexure 3**)

Applicable Criteria:

Rating Methodology for Manufacturing & Trading Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity Position: Adequate

Data Group's liquidity profile is expected to remain adequate, as marked by its satisfactory cash accruals vis-a-vis its debt repayment obligations. The company has generated gross cash accruals of ~Rs.17 cr. in FY21 (prov.) and is expected to earn gross cash accruals in the range of ~Rs.20-27 crore against its term debt repayment obligations in the range of ~Rs.1.40-2.60 crore during FY22-FY24. Furthermore, the group also has sufficient gearing headroom due to its comfortable capital structure. Infomerics believes that the group's cash flows will remain sufficient to service its debt obligations over the next three years.



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About the company and the Group

Rajasthan based 'Data Group' established by Late Mr. Pyare Lal Ji Data in 1940, is now managed by Data family, including Mr. Babu Lal Data, Mr. Ajay Data, and Mr Deepak Data, the directors and promoters in the companies of Data group. The group collectively is engaged in manufacturing, processing, and trading of edible oils including vanaspati oil, mustard oil, and others; Information technology; and Agriculture.

Data Ingenious Global Limited (DIGL) and Shree Hari Agro Industries Ltd (SHAIL) was incorporated in 1995, engaged in providing IT services and extraction of mustard oil from oil cakes respectively. DIGL along with its ITES & hardware services, trades in Agro based products and around ~80% of its revenue is from the trading of Edible oils and Agro-based commodities. SHAIL along with manufacturing and processing of edible oil, refines oil from crude and vanaspati oil using M-tech and Alpha technologies.

Ritika Vegetable Oil Private Limited (RVOPL), incorporated in 2013, is engaged in crushing of seeds and production of mustard oil, under the brands, 'Scooter', 'Shiv', 'Ashoka' & 'Ritika' and Babulal Edible Oils Private Limited (BEOPL), incorporated in 2019 is engaged in processing, packaging & bottling of edible oil.

All the four companies have strong operational linkages. RVOPL being a manufacturing entity, extracts edible oil from mustard seeds and is engaged in the sale of mustard oil cake, while SHAIL is engaged in solvent extraction from mustard oil cake and exports de-oiled cake. SHAIL also processes Vanaspati ghee and refined oil. DIGL on the other hand is engaged in trading of edible oil and sale of blended vegetable oil, while BEOPL is the packaging arm of the group and is engaged in processing, packing, and repacking of edible oils into pet bottles, tins and jars.

Financials (Combined)

For the year ended* / As On	(Rs. crore)	
	31-03-2020 Combined	31-03-2021 Combined
Total Operating Income	705.43	1097.46
EBITDA	12.68	23.28
PAT	6.71	13.02
Total Debt	44.15	75.03
Tangible Net worth	42.58	62.14
Adjusted Tangible Net worth	48.58	76.08
EBITDA Margin (%)	1.80	2.12
PAT Margin (%)	0.95	1.18



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For the year ended* / As On	31-03-2020	31-03-2021
	Combined	Combined
Overall Gearing Ratio (x)	0.91	0.99
Interest Coverage Ratio(x)	2.40	3.75

**Classification as per Infomerics' standards.*

Financials (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2020	31-03-2021
	Audited	Provisional
Total Operating Income	374.95	538.18
EBITDA	1.20	3.72
PAT	1.26	1.87
Total Debt	18.77	41.09
Tangible Net worth	16.73	18.60
Adjusted Tangible Net worth	16.73	18.60
EBITDA Margin (%)	0.32	0.69
PAT Margin (%)	0.33	0.35
Overall Gearing Ratio (x)	1.12	2.21
Interest Coverage Ratio (x)	0.94	2.01

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:

Sl. No.	Name of Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Ratings	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.	Cash Credit	Long Term	20.00	IVR BBB; Stable	-	-	-
2.	Term Loan	Long Term	2.17	IVR BBB; Stable	-	-	-
3.	GECL	Long Term	3.15	IVR BBB; Stable	-	-	-
4.	EPC	Short Term	10.00	IVR A3+; Stable	-	-	-

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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 / Outlook
Cash Credit	-	-	-	20.00	IVR BBB; Stable
Term Loan	-	-	January 2026	2.17	IVR BBB; Stable
GECL	-	-	January 2025	3.15	IVR BBB; Stable
EPC	-	-	-	10.00	IVR A3+; Stable
Total				35.32	

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Shree-Hari-Agro-Lenders-21sep21.pdf>

Annexure 3: List of companies considered for consolidated analysis is given below,

Name of the entities	Consolidation Approach
Data Ingenious Global Limited	Full Consolidation



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Shree Hari Agro Industries Ltd.	Full Consolidation
Ritika Vegetable Oil Private Limited	Full Consolidation
Babulal Edible Oils Private Limited	Full Consolidation

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.	Cash Credit	Simple
2.	Term Loan	Simple
3.	GECL	Simple
4.	EPC	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.