

Osaw Industrial Products Private Limited

February 09, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	20.41	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	13.10	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (Double B ; Outlook: Stable/ A Four ISSUER NOT COOPERATING*)	Revised from CARE BB+; Stable / CARE A4+ (Double B Plus ; Outlook: Stable / A Four Plus) and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	2.90	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Revised from CARE A4+ (A Four Plus) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	36.41 (Rs. Thirty-Six Creore and Forty- One Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Osaw Industrial Products Private Limited (OIP)⁴ to monitor the ratings vide e-mail communications dated January 25, 2022, January 21, 2022, and January 19, 2022, and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The ratings on Osaw Industrial Products Private Limited bank facilities will now be denoted as **CARE BB; Stable/CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

The rating has been revised on account of non-availability of requisite information due to non-cooperation by Osaw Industrial Products Private Limited with CARE Ratings Ltd.'s efforts to undertake a review of the rating outstanding. CARE Ratings Ltd. views information availability risk as a key factor in its assessment of credit risk. Further, the ratings take into account small scale of operations, and elongated operating cycle. The ratings are further constrained by highly competitive and fragmented nature of industry. The ratings, however, derives strength from the experienced promoters, long track record of operations, moderate profitability margins & solvency position, reputed customer base, and moderate order book position.

Detailed description of the key rating drivers:

At the time of last rating on November 30, 2020, the following were the rating strengths and weaknesses:

Key Rating Weaknesses

Small scale of operations

The total operating income of OIP declined from Rs.71.04 crore in FY19 (refers to the period April 01 to March 31) to Rs.45.27 crore in FY20 on account of single high value order of Rs.49.18 crore received from Kendriya Vidyalayas Sangathan (Tender based) in FY19. However, the scale of operations of the company witnessed a fluctuating trend during FY18-FY20 period. The small scale of operations limits the company's financial flexibility in times of stress and deprives it from scale benefits. Furthermore, the company reported total operating income of Rs.15.56 crore in 7MFY21 (Provisional).

Elongated operating cycle

The operating cycle of the company stood elongated at 343 days for FY20 (217 days for FY18 and 157 days for FY19). OIP is required to maintain adequate inventory mainly in the form of raw material to ensure smooth execution process as well as maintain stock of finished products as well as traded goods in order to meet the demand of customers which resulted in average inventory period of 127 days for FY20. The same elongated from 67 days for FY19 owing to higher amount of finished good remained unsold in light of Covid-19 pandemic. The company offers a credit period of around three-four months to its customers (major clientele being government entities which possess high bargaining power as compared to other players). The company had executed an order from Kendriya Vidyalayas Sangathan, Delhi amounting to Rs.21.00 crore approximately in Q4FY20. However, the same was realized in Q1FY21 which resulted in elongated collection period of 246 days for FY20 (162 days for FY18 and 114 days for FY19). However, it receives average credit period of around one month from its suppliers.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Highly competitive & fragmented nature of the industry

The industry is riddled with high competition due to presence of several domestic and international players. Intense competition from both domestic and international players restricts the pricing flexibility and the bargaining power with customers and suppliers. Furthermore, due to the tender based concept employed by public sector organization to source the materials, the company has to bid aggressively in order to ward away competition and win contracts.

Key Rating Strengths**Experienced & qualified management and long track record of operations**

The company was established in 1992 and has a long track record of operations of more than two decades in manufacturing of scientific laboratory instruments which has aided the company in establishment of strong relationships with customers and suppliers. The company is headed by Mr Ajay Sagar, B.Tech engineer (from PEC), who has gained an overall experience of more than three decades in the similar business through OIP and other entity (Oriental Science Apparatus Workshop). Mr Ajay Sagar looks after the overall operations of the company, with active support from his wife Mrs Manisha Sagar, an MSC post graduate from Panjab University, who has gained an experience of around one and half decades in the same line. In addition to this, the promoters are supported by qualified and experience employees.

Reputed though concentrated customer base

OIP is manufacturing scientific laboratory instruments for education and agriculture sector and is supplying to reputed market players such as Kendriya Vidyalayas Sangathan, Delhi, Indian Institutes of Science Education and Research (IISER), Indian Institute of Technology (IIT), Birla Institute of Technology and Science (BITS Pilani), Food Corporation of India (FCI), Central Warehousing Corporation (CWC), ITC Limited, etc. Long-standing relationship with such reputed clientele strengthens the business profile and lends support to the quality of the product being manufactured. The sales to top 8 customers constituted around 62% of total operating income in FY20. The customer base is concentrated due to single high value order of Rs.21.38 crore received from Kendriya Vidyalayas Sangathan, Delhi. Thus, the company's customer base is reputed and concentrated.

Moderate order book position

The company has order book in hand of Rs.26.32 crore as on October 31, 2020 to be executed by January 2021. The current order book of the company is ~0.58x times of the revenue for FY20. The order book of the company provides sufficient visibility on the revenue stream. However, CARE doesn't have the sufficient information to comment upon the current order book position of company.

Moderate profitability margins

The profitability margins of the company remained at a moderate level marked by PBILDT margin of 13.73% in FY20 and PAT margin of 4.09% in FY20. The PBILDT margin improved from 10.96% in FY19 on account of procurement of raw materials at better prices. However, the PAT margins remained at almost the same level of last year.

Moderate solvency position

The overall gearing ratio of the company remained at a satisfactory level of 0.87x as on March 31, 2020 (PY: 1.52x). The same improved on a year-on-year basis in FY20 owing to accretion of profits and funds in the form of unsecured loans (subordinate to debt amounting to Rs.10.14 crore) leading to building up of net-worth base. Further, the total debt to GCA ratio stood at a moderate level of 9.33x, as on March 31, 2020 (PY: 7.04x). The same, however, deteriorated on a year-on-year basis due to higher total debt outstanding and lower cash accruals generated. The interest coverage ratio continued to remain at a satisfactory level of 2.27x in FY20 (PY: 2.84x).

Liquidity analysis: Adequate

The company's liquidity ratios remained moderate as reflected by current ratio of 1.67x and quick ratio of 1.22x as on March 31, 2020. The operating cycle of the company remained elongated at 343 days as on March 31, 2020 (PY: 157 days). The average utilization of cash credit limit stood at 79% for the last 12 months period ended October 2020. The company had free cash and bank balance of Rs.0.12 crore as on March 31, 2020.

Analytical Approach: Standalone**Applicable Criteria**

[Policy in respect of Non-cooperation by issuer](#)

[Rating Outlook and Credit Watch](#)

[Policy on default recognition](#)

[Manufacturing Companies](#)

[Short Term Instruments](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Financial Ratios – Non financial Sector](#)

About the company

Osaw Industrial Products Private Limited (OIP) was incorporated as a private limited company in March 1993, currently being managed by Mr. Ajay Sagar, Mrs. Manisha Sagar and Mr. Ashok Yadav. The company is mainly engaged in manufacturing of

scientific laboratory instruments for education (schools & colleges) and agriculture sector at its manufacturing facility located at Ambala Cantt, Haryana. The product portfolio largely comprises moisture meter, seed grader, seed germinator, seed grain analyzer, seed cleaner, dal mill, intelligent timer, weighing scale, scientific lab apparatus, etc. The company has in house designing, engineering, R&D and testing facility. The company has Canadian Standards Association (CSA), ISO 9001:20015 and ISO 9001:2008 certifications for its manufacturing facility. The company sells its products under the brand name of "Indosaw" in domestic market. Further, the company is registered with Department of Science and Technology, New Delhi for Research and Development.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22*
Total operating income	45.27	NA	NA
PBILDT	6.21	NA	NA
PAT	1.85	NA	NA
Overall gearing (times)	0.87	NA	NA
Interest coverage (times)	2.28	NA	NA

Status of non-cooperation with previous CRA: Acuite (SMERA) has downgraded the ratings assigned to the bank facilities of Osaw Industrial Products Private Limited in Issuer Not Cooperating category wide press release dated December 3, 2021.

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT/ ST-Cash Credit		-	-	-	13.10	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	-	9.35	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Working Capital Demand loan		-	-	-	1.31	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - ST-Bank Overdraft		-	-	-	2.65	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - LT-Bank Guarantee		-	-	-	9.75	CARE BB; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit		-	-	-	0.25	CARE A4; ISSUER NOT COOPERATING*

Annexure-2: Rating History of last three years

Sr. No	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT/ST-Cash Credit	LT/ST *	13.10	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING *	-	1)CARE BB+; Stable / CARE A4+ (30-Nov-20)	1)CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING * (26-Nov-19)	1)CARE BB+; Stable / CARE A4+ (21-Sep-18)
2	Fund-based - LT-Term Loan	LT	9.35	CARE BB; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB+; Stable (30-Nov-20)	1)CARE BB+; Stable; ISSUER NOT COOPERATING * (26-Nov-19)	1)CARE BB+; Stable (21-Sep-18)
3	Fund-based - LT-Working Capital Demand loan	LT	1.31	CARE BB; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB+; Stable (30-Nov-20)	1)CARE BB+; Stable; ISSUER NOT COOPERATING * (26-Nov-19)	1)CARE BB+; Stable (21-Sep-18)
4	Fund-based - ST-Bank Overdraft	ST	2.65	CARE A4; ISSUER NOT COOPERATING *	-	1)CARE A4+ (30-Nov-20)	1)CARE A4+; ISSUER NOT COOPERATING * (26-Nov-19)	1)CARE A4+ (21-Sep-18)
5	Non-fund-based - LT-Bank Guarantee	LT	9.75	CARE BB; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB+; Stable (30-Nov-20)	1)CARE BB+; Stable; ISSUER NOT COOPERATING * (26-Nov-19)	1)CARE BB+; Stable (21-Sep-18)
6	Non-fund-based - ST-Letter of credit	ST	0.25	CARE A4; ISSUER NOT COOPERATING *	-	1)CARE A4+ (30-Nov-20)	1)CARE A4+; ISSUER NOT COOPERATING * (26-Nov-19)	1)CARE A4+ (21-Sep-18)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT-Working Capital Demand loan	Simple
3	Fund-based - LT/ ST-Cash Credit	Simple
4	Fund-based - ST-Bank Overdraft	Simple
5	Non-fund-based - LT-Bank Guarantee	Simple
6	Non-fund-based - ST-Letter of credit	Simple

Annexure 5: Bank Lender Details for this CompanyTo view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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