

Ovobel Foods Limited

April 14, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Short Term Bank Facilities	11.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Bank Facilities	11.00 (Rs. Eleven Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Ovobel Foods Limited to monitor the rating vide e-mail communications dated February 02, 2021 to March 05, 2021 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the rating. **In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.** The rating on **Ovobel Foods Limited**' bank facilities will now be denoted as 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.**

Detailed description of the key rating drivers

At the time of last rating on the following were the key rating strengths and weaknesses considered:

Key Rating Weaknesses

Modest scale of operation with fluctuating total operating income

The company was established in 1993 and the commercial operations started in 1996. The scale of operations of the company remained modest and fluctuating marked by Total operating income (TOI) of Rs.116.57 Cr during FY20.

Intense competition from large number of players along with risk of contamination of the final product

Over the past decade, developing nations such as Brazil, Argentina, Chile, and other such countries around the globe encountered a huge shift in consumption patterns, from carb-based food (such as grains, cereals, and rice) to proteinbased foods (such as hens, fish, meat) fueling the demand for egg powder and resulting in an expansion of the animal feed industry and driving the demand for egg powder. There high risk of contamination associated with eggs and egg powder. Owing to poor hygienic conditions, there is always a risk of contamination in eggs, which would possibly degrade the quality of eggs and processed egg products.

Key Rating Strengths

Experienced promoter in the manufacture of egg powder with long track record of operations

The promoter Mr. Shanti Swarup, MD, holds a degree of Bachelor of Commerce and has a wide range of experience of over 33 years in the manufacture of food processing plants and has contributed towards hatchery and livestock feed as well. Over the years, OFL has established itself as a reputed manufacturer and exporter of egg powder in India and is one of the few egg powder and frozen egg manufacturers in the country.

The company, OFL, was set up in 1993 and commenced its operations in 1996 and due to its long-term presence in the market, OFL is able to establish long term relationship with customers and suppliers that include extended credit periods and sound base for procuring the eggs from the farmers in Karnataka.

Comfortable capital structure during review period, albeit fluctuating

The capital structure marked by overall gearing has improved to 0.54x as on March 31, 2020 from 0.57x as on March 31, 2019 on account of improvement in net worth due to accretion of profits.

Satisfactory debt coverage indicators and profitability margins, although fluctuating

The PBILDIT has declined sharply and stood at Rs 5.65 cr during FY20 when compared to Rs 10.26 cr in FY19. Debt service coverage ratios Marked by Total debt to GCA deteriorated to 3.38x during FY20 from 1.66x (FY19) due to decline in PBILDIT.

Comfortable working capital cycle

The company being in the manufacturing industry, requires high working capital requirement to meet its operations. The operating cycle has improved to 56 days during FY 20 from 61 days (FY19) due to improvement in collection period.

Analytical Approach: Standalone

Applicable Criteria

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

[CARE's Policy on Default Recognition](#)

[Financial ratios-Non-financial sector](#)
[Rating Methodology-Manufacturing Companies](#)
[Criteria for short Term Instruments](#)

About the Company

Bangalore, Karnataka based Ovobel Foods Limited was established in 1993 and is engaged in the business of processing and freezing of egg powder, egg yolk powder and egg albumen powder. The factory is situated in Bangalore and was constructed in collaboration with their holding company Ovobel NV in 1995-96. The company sources its raw material, ie; eggs, from local farmers that are approved under company monitoring for feed formula and good production practices. The company exports much of the finished goods to Indonesia, Vietnam among other Asian and European countries.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	112.12	116.57
PBILDT	10.27	5.65
PAT	5.66	2.72
Overall gearing (times)	0.57	0.54
Interest coverage (times)	11.80	6.16

A-Audited

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not Applicable

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

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - ST-Bills Discounting / Bills Purchasing	-	-	-	9.00	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-EPC/PCFC	-	-	-	2.00	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

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.	Non-fund-based - ST-Bills Discounting / Bills Purchasing	ST	9.00	CARE A4; ISSUER NOT COOPERATING*	-	-	1)CARE A4; ISSUER NOT COOPERATING* (19-Mar-20) 2)CARE A4 (15-Jul-19)	-
2.	Non-fund-based - ST-EPC/PCFC	ST	2.00	CARE A4; ISSUER NOT COOPERATING*	-	-	1)CARE A4; ISSUER NOT COOPERATING* (19-Mar-20) 2)CARE A4 (15-Jul-19)	-

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

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

Sr. No.	Name of the Instrument	Complexity Level
1.	Non-fund-based - ST-Bills Discounting / Bills Purchasing	Simple
2.	Non-fund-based - ST-EPC/PCFC	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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