

## Axis Overseas Limited (Revised)

February 18, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long Term Bank Facilities	24.20	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	3.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>27.20</b> <b>(Rs. Twenty-Seven Crore and Twenty Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from Axis Overseas Limited to monitor the rating(s) vide e-mail communications/letters dated September 09, 2021, January 11, 2022 among others 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 Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, Axis Overseas Limited has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on Axis Overseas Limited's bank facilities will now be denoted as **CARE B+; Stable; ISSUER NOT COOPERATING\*/CARE A4; ISSUER NOT COOPERATING\***. Due diligence with the banker and auditor could not be conducted.

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

The rating has been revised on account of de-growth in total operating income along with decline in profit levels and cash accruals during FY21 (refers the period from April 01 to March 31). The revision in the rating also factors in deterioration in debt coverage indicators and operating cycle in FY21.

The rating takes into account small scale of operation with low profit margins, Moderate capital structure and weak debt coverage indicators and its exposure to price volatility of traded goods and regulatory risk. However, the aforesaid constraints are partially offset by long track record of promoters and diversified group presence.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

**Small scale of operation with low profit margins:** The total operating income declined to Rs.120.27 crore in FY21 from Rs.217.72 crore in FY20. The profit margins of the company remained low with operating margin of 2.87% in FY21 as against 2.45% in FY20.

**Moderate capital structure and weak debt coverage indicators:** The overall gearing ratio stood at 1.76x as on March 31, 2021 as against 1.93x as on March 31, 2020. Interest coverage stood below unity at 0.95x in FY21 as against 1.22x in FY20.

**Risk of price volatility and regulatory risk:** The prices of raw jute, being an agricultural product, are volatile in nature due to heavy dependency on the vagaries of nature and crop economics. As the prices are highly volatile in nature,

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

the company's profitability is susceptible to volatility in jute prices. Since the company trades in raw jute, thus any major fluctuation in prices might have a significant impact on the profitability of the company. Further, Jute industry is highly regulated as Government determines the minimum support prices (MSP) of jute crops for each crop year, average raw material pricing for government orders and custom duty, taxes, etc. on jute and related products. Further government stipulates the proportion of packaging of food grains and sugar in jute bags. This apart, jute bag prices in India are fixed on a price formula of the Tariff Commission of 2001 and procured by Directorate General of Supplies and Disposal or through National Competitive Bidding. The operating cycle has deteriorated to 126 days in FY21 as against 72 days in FY20.

### Key Rating Strengths

**Long track record of promoters and diversified group presence:** AOL incorporated in 2005 by Axis group of Kolkata. The group is promoted by Mr. Aditya Sarda who has more than a decade experience in trading of Jute. The group is also engaged in mining of minerals and in real estate business along with jute business through other entities namely Tirupati Niryat Pvt Ltd, Octal Sales Pvt Ltd, Chindwara Mines Private Limited, Axis Pigments Private Limited, etc.

**Analytical approach:** Standalone

### Applicable Criteria

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

[Criteria on assigning Outlook and Credit watch](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology - Wholesale Trading](#)

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

[Criteria for Short Term Instruments](#)

### About the Company

Axis Overseas Limited (AOL) was incorporated in December 2005 with the objective of trading in Jute and Jute related products. Since its inception company is managed by Mr. Aditya Sarda, promoter of the company. AOL mainly purchases raw jute locally and also imports from Bangladesh and sells it to jute mills in West Bengal that manufacture jute bags/other jute products.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (Prov.)
Total operating income	217.72	120.27	NA
PBILDT	5.33	3.45	NA
PAT	0.68	0.26	NA
Overall gearing (times)	1.93	1.76	NA
Interest coverage (times)	1.22	0.95	NA

A: Audited, NA- Not Available, Prov.- Provisional

**Status of non-cooperation with previous CRA:** Non Cooperation from India Ratings as per its press release dated August 12, 2021.

**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	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	22.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Working Capital Demand loan		-	-	2022	2.20	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit		-	-	-	3.00	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	Fund-based - LT-Cash Credit	LT	22.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (07-Jan-21) 2)CARE BB-; Stable (31-Dec-20)	-	-
2	Fund-based - LT-Working Capital Demand loan	LT	2.20	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (07-Jan-21)	-	-
3	Non-fund-based - ST-Letter of credit	ST	3.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (07-Jan-21)	-	-

\*Issuer did not cooperate; Based on best available information

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA****Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Working Capital Demand loan	Simple
3	Non-fund-based - ST-Letter of credit	Simple

**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.

**Annexure 5: Bank Lender Details for this Company**

To view the lender wise details of bank facilities please [click here](#)

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**About CARE Ratings Limited:**

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careedge.in](http://www.careedge.in)**