

Oswal Overseas Limited

March 26, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term / Short Term Bank Facilities	-	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE C; Stable / CARE A4; ISSUER NOT COOPERATING* (Single C; Outlook: Stable / A Four ISSUER NOT COOPERATING*) and Withdrawn
Long Term Bank Facilities	-	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE C; Stable; ISSUER NOT COOPERATING* (Single C; Outlook: Stable ISSUER NOT COOPERATING*) and Withdrawn
Total Bank Facilities	0.00 (Rs. Only)		

Details of facilities in Annexure-1

Detailed Rationale and Key Rating Drivers

CARE has reviewed and reaffirmed the ratings assigned to the bank facilities of Oswal Overseas Limited (OOL) to 'CARE C; Stable/ CARE A4; ISSUER NOT COOPERATING*' (Single C; Outlook: Stable/ A Four; ISSUER NOT COOPERATING*) and has simultaneously withdrawn it, with immediate effect. The rating factors in the constraints relating to company's small scale of operations, weak overall financial risk profile and regulated nature of sugar business. The ratings, however, continues to derive comfort from the experienced Management.

The rating withdrawal is at the request of Oswal Overseas Limited (OOL) and 'No Objection Certificate' received from the bank that has extended the facilities rated by CARE.

Detailed description of the key rating drivers

Key Rating Weaknesses

Small scale of operations

Despite being operational for nearly four decades, the scale of operations has remained low marked by a total operating income and gross cash accruals of Rs.17.73 crore and Rs.2.87 crore respectively during FY20. Further, the company's networth base was relatively small at Rs 4.82 crore as on March 31, 2021. The small scale limits the company's financial flexibility in times of stress and deprives it from scale benefits. Moreover, the company also suffers on account of lack of economies of scale.

Though, the risk is partially mitigated by the fact that the scale of operation is growing continuously. For the period FY18-FY20, OOL's total operating income grew from Rs.75.99 crore to Rs.171.73 crore reflecting a compounded annual growth rate (CAGR) of 31.62%.

Weak overall financial risk profile

PBILDT margin of OOL for FY20 stood at 3.15% in FY20 as against 3.23% for FY19. The margins are in line with the previous year. The PAT margin also declined during FY20 to 0.14% as against 1.10% for FY19 on account of higher interest cost. Overall gearing stood high at 9.09 times and debt to equity stood at 8.42 times as on March 31, 2020 as against 11.92 times and 10.84 times respectively as on March 31, 2019.

Regulated nature of sugar business

The industry is cyclical by nature and is vulnerable to the government policies for various reasons like its importance in the Wholesale Price Index (WPI) as it classifies as an essential commodity. The government on its part resorts to various regulations like fixing the raw material prices in the form of State Advised Prices (SAP) and Fair & Remunerative Prices (FRP).

All these factors impact the cultivation patterns of sugarcane in the country and thus affect the profitability of the sugar companies.

Key rating strengths

Experienced Management

OOL is a Public Limited company (closely held) originally incorporated in 1984 by Mr. Paramjeet Singh. He is a graduate by qualification, having an experience of around three decades in various business segments including one and half decades in sugar industry. He is well supported by other directors, Mr. Harihar Nath Sharma, who is also a graduate by qualification and having experience of around two and half decades of experience in accounts and finance including one and half decades in the sugar industry through his association with OOL. Mr. Anoop Kumar Shrivastav is a commerce graduate having an experience of around one decade in IT Management and around 3 years in sugar industry through his association with OOL. Mr. Rajinder Pal Singh is a graduate by qualification and has an experience of around half a decade in the sugar industry through his association with OOL.

Analytical approach: Standalone

Applicable criteria

[Policy on Withdrawal of ratings](#)

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

[Criteria on assigning 'Outlook' and 'Credit Watch' to Credit Ratings](#)

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

[Criteria for short term instruments](#)

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

[CARE's Methodology – Sugar sector](#)

About the Company

Delhi based Oswal Overseas Limited (OOL) (erstwhile ANK Impex Private Limited) is a Public Limited Company incorporated in 1984 as a private Limited company. OOL is engaged in manufacturing of sugar. The manufacturing unit is located in Bareilly, Uttar Pradesh. The company procures sugarcane from the farmers in the area allotted by the Cane Commissioner and sells sugar in bulk to wholesalers/ agents.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	79.09	171.73
PBILDT	2.55	5.41
PAT	0.87	0.25
Overall gearing (times)	11.92	9.09
Interest coverage (times)	1.03	0.95

A: Audited

Status of non-cooperation with previous CRA: CRISIL Ratings has conducted the review and has placed the rating to Issuer not cooperating as per press release dated June 24, 2020.

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
Fund-based - LT-Term Loan	-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit	-	-	-	0.00	Withdrawn
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	-	-	-	0.00	Withdrawn

Annexure-2: Rating History of last three years

r. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	-	-	1)CARE C; Stable; ISSUER NOT COOPERATING* (15-Sep-20)	1)CARE C; Stable; ISSUER NOT COOPERATING* (22-Aug-19)	1)CARE B-; Stable (31-Aug-18)	1)CARE B; Stable (14-Jul-17)
2.	Fund-based - LT-Cash Credit	LT	-	-	1)CARE C; Stable; ISSUER NOT COOPERATING* (15-Sep-20)	1)CARE C; Stable; ISSUER NOT COOPERATING* (22-Aug-19)	1)CARE B-; Stable (31-Aug-18)	1)CARE B; Stable (14-Jul-17)
3.	Non-fund-based - ST-Bank Guarantees	-	-	-	-	-	-	1)CARE A4 (14-Jul-17)
4.	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	-	-	1)CARE C; Stable / CARE A4; ISSUER NOT COOPERATING* (15-Sep-20)	1)CARE C; Stable / CARE A4; ISSUER NOT COOPERATING* (22-Aug-19)	1)CARE B-; Stable / CARE A4 (31-Aug-18)	1)CARE B; Stable (14-Jul-17)

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 the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	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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