

## Oasis Tradelink Limited

August 24, 2018

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	15.00	<b>CARE BB; Stable</b> [Double B; Outlook: Stable]	Revised from CARE BBB-; Stable [Triple B Minus; Outlook: Stable]
Short-term Bank Facilities	15.00	<b>CARE A4</b> [A Four]	Revised from CARE A3 [A Three]
<b>Total Facilities</b>	<b>30.00</b> <b>(Rupees Thirty crore only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The revision in ratings for the bank facilities of Oasis Tradelink Limited (OTL) takes into account the deterioration in its liquidity resulting from elongation in its collection period along with withdrawal of unsecured loans infused by promoters that had earlier supported its funding requirements. The revision also factors in decline in OTL's scale of operations during Q1FY19 due to lower demand for cotton seed oil (which formed majority of its sales) following increase in/imposition of import duty on it. This also resulted in deterioration in its debt coverage indicators as well as instance of overdrawal in its working capital limits.

The ratings continue to remain constrained by OTL's thin operating profitability owing to limited value addition, moderate capital structure, low networth base and its presence in a highly competitive edible oil industry.

The ratings, however, continue to derive strength from OTL's experienced promoters in the edible oil industry, established brand name of 'Maruti' in Gujarat region, low operating leverage due to an asset light model and its distribution network in Gujarat and neighboring states.

OTL's ability to increase its scale of operations with widening of its geographical base, improvement in its operating profitability, capital structure and liquidity along with efficient management of its working capital requirements would be the key rating sensitivities.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

**Stretched liquidity:** OTL faced liquidity issues due to delay in receipt of payment from its customers, which are majorly distributors, due to decline in demand of cotton seed oil (which forms a majority of its sales) during Q1FY19. This resulted in instance of over-drawal in its working capital limits.

**Decline in scale of operations with deterioration in debt coverage indicators:** OTL's total operating income (TOI) declined during Q1FY19 mainly on account of decline in demand of cottonseed oil. Lower scale of operations and consequently lower profits also resulted in lower debt coverage indicators for OTL.

**Thin operating profitability with moderate capital structure:** OTL does not have any refining capacity and undertakes only bottling of oil with entire focus on branding of its products. This translates into marginal value addition and consequently thin profitability compared to other industry players. Furthermore, OTL had a moderate capital structure marked by overall gearing of 1.55x as on June 30, 2018.

**Competitive nature of industry:** The edible oil industry is dominated by few big players apart from presence of a large number of smaller players with small but established local brands which makes it a competitive industry to operate in.

#### Key Rating Strengths

**Experienced promoters in the edible oil industry with growing distribution network:** OTL's promoters have more than two decades of experience in the edible oil industry. Also, OTL has widespread presence across Gujarat and is increasing its presence in the neighboring states of Madhya Pradesh, Rajasthan and Maharashtra.

**Asset light business model and established brand name of 'Maruti' in edible oil segment in Gujarat:** OTL buys wash oil from edible oil extractors, gives the oil for refining on job work basis and then packs the refined oil at its packing and bottling plant and sells the refined oil to its own distributors or other traders under its own brand name of "Maruti". Thus, it does not have any major investment in fixed assets and operates with a low operating leverage.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

**Analytical approach:** Standalone

**Applicable Criteria**

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

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

[Criteria for Short Term Instruments](#)

[Rating Methodology - Manufacturing Companies](#)

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

**About the Company**

Ahmedabad-based OTL, incorporated in 1996 as Oasis Tradelink Private Limited, is engaged in the business of edible oil packaging, branding and marketing. OTL sells its product under the brand name of 'Maruti' which is a well-recognized name in edible oil segment in Gujarat. It primarily procures wash oil from the seed crushers and gets it refined from other oil refining entities on job-work basis, post which, it carries out the packaging, marketing and distribution of the end products. OTL is promoted by Mr. Snehal B. Patel and his family members and has a packaging unit in Kadi, Gujarat.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (Prov.)*
Total operating income	343.27	514.55
PBILDT	5.20	6.99
PAT	2.23	2.40
Overall gearing (times)	0.83	1.49
Interest coverage (times)	2.23	1.93

A: Audited; \* as per results published on stock exchanges

During Q1FY19, OTL reported a TOI of Rs.100.73 crore with a PAT of Rs.0.42 crore as against a TOI of Rs.113.70 crore and PAT of Rs.0.56 crore during Q1FY18.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

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

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**About CARE Ratings:**

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

**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-Cash Credit	-	-	-	15.00	CARE BB; Stable
Non-fund-based - ST-ILC/FLC	-	-	-	15.00	CARE A4

**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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	15.00	CARE BB; Stable	1)CARE BBB-; Stable (05-Apr-18)	-	1)CARE BBB-; Stable / CARE A3 (16-Mar-17)	1)CARE BB+ / CARE A4+ (23-Feb-16)
2.	Non-fund-based - ST-ILC/FLC	ST	15.00	CARE A4	1)CARE A3 (05-Apr-18)	-	-	-

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