

Oswal Overseas Limited

August 22, 2019

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Rating Action
Long term Bank Facilities	9.95	CARE C; Stable; ISSUER NOT COOPERATING (Single C; Outlook : Stable ISSUER NOT COOPERATING)	Issuer Not Cooperating; Revised from Care B-; Stable on the basis of best available information
Long-term / Short-term Bank Facilities	0.78	CARE C; Stable/ CARE A4; ISSUER NOT COOPERATING (Single C; Outlook: Stable/ A Four ISSUER NOT COOPERATING)	Issuer Not Cooperating; Revised from CARE B-; Stable/ CARE A4 on the basis of best available information
Total	10.73 (Rs. Ten Crore and Seventy- Three Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking No Default Statement from Oswal Overseas Limited (OOL) to monitor the ratings vide e-mail communications dated August 13, 2019, August 1, 2019, July 15, 2019, June 29, 2019, June 3, 2019, May 15, 2019, April 30, 2019 and numerous phone calls. However, despite our repeated requests, the company has not provided no default statement for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The ratings on OOL's bank facilities will now be denoted as ***CARE C; Stable/ A Four; 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 ratings.

The rating has been revised by taking into account non-availability of no default statement and deterioration in the overall financial risk profile characterized by operational losses, deterioration in capital structure and coverage indicators. The ratings further continue to remain constrained on account of its modest scale of operations, working capital intensive operations and regulated nature of sugar business. The ratings, however, continue to draw comfort from experienced management. Going forward; ability of the company to profitably increase its scale of operations while registering improvement in its capital structure and working capital management shall be the key rating sensitivity.

Detailed description of key rating drivers

Key rating weakness

Deterioration in the overall financial risk profile

The company has incurred operational losses in Q1FY20. During 3MFY20 the company reported PBILDT and net loss of Rs.- 4.05 crore and Rs. 5.64 crore respectively. The capital structure of the company deteriorated and stood leveraged marked by overall gearing of 14.16x as on March 31, 2019 as against 5069x as on March 31, 2018. The debt service coverage indicators stood weak marked by interest coverage ratio and total debt/GCA 1.03x and 31.09x respectively in FY19 on account of thin profits and weak GCA levels.

Modest scale of operations

The scale of operations of OOL broadly marked by total operating income (TOI) of around Rs. 76.00 crores for the last two financial years i.e.FY18-FY19 (refers to the period April 01 to March 31). Further the company had gross cash accruals of Rs. 2.11 crores in FY19. During 3MFY20 the company achieved a TOI of around Rs. 50.84 crores and reported net losses resulting into negative GCA (refers to the period April 01 to June 30; based on unaudited results). The modest scale limits the company's financial flexibility in times of stress and deprives it from scale benefits.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

Working capital intensive operations and stretched liquidity

Sugar industry being seasonal in nature has high working capital requirements during the peak season which is from November to March. The companies have high working capital requirements during the peak season to procure their primary raw material, i.e., sugarcane and manufacture sugar during this period. The company generally maintains inventory of around 2 months however the same elongated to 355 days in FY19. The collection period of the company stood at 5 days in FY19. Further, the creditor days in FY19 elongated and stood at 411 days as compared to 245 days in FY18 on account of high liquidity crunch on account of no sales realization.

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.

Applicable Criteria:

[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](#)

[CARE's methodology for manufacturing companies](#)

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

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
Fund-based - LT-Term Loan	-	-	-	4.95	CARE C; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B-; Stable on the basis of best available information
Fund-based - LT-Cash Credit	-	-	-	5.00	CARE C; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B-; Stable on the basis of best available information
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	-	-	-	0.78	CARE C; Stable / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B-; Stable / CARE A4 on the basis of 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	4.95	CARE C; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B-; Stable on the basis of best available information	-	1)CARE B-; Stable (31-Aug-18)	1)CARE B; Stable (14-Jul-17)	-
2.	Fund-based - LT-Cash Credit	LT	5.00	CARE C; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B-; Stable on the basis of best available information	-	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	0.78	CARE C; Stable / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B-; Stable / CARE A4 on the basis of best available information	-	1)CARE B-; Stable / CARE A4 (31-Aug-18)	1)CARE B; Stable (14-Jul-17)	-

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:

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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