

Press Release

Phoenix Overseas Limited

June 13, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 60.00 Cr.
Long Term Rating	ACUITE BBB-/Stable (Assigned)
Short Term Rating	ACUITE A3 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and the short term rating of '**ACUITE A3**' (**read as ACUITE A three**) to the Rs. 60.00 crore bank facilities of Phoenix Overseas Limited (POL). The outlook is '**Stable**'.

Incorporated in 2002, Phoenix Overseas Limited (POL) is a Kolkata-based company engaged in trading of food products, majorly soya de-oiled cake, mustard oil cake and maize, which is mainly sold to the poultry feed manufacturers. The company also trades in other food products such as rice, wheat etc. Apart from the trading business, POL manufactures jute and cotton bags and provides cold-storage facilities.

Its warehouse with a capacity of 12,000 MT and cold storage is located at Malda. The company is promoted by Mr. Aparesh Nandi and Jayanta Kumar Ghosh.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of POL to arrive at the rating.

Key Rating Drivers

Strengths

- **Long track record and experienced management**

The company has a long track record of 18 years in the trading and export of food products, majorly soya de-oiled cake, mustard oil cake and maize. The company is promoted by Mr. Aparesh Nandi who has business experience of over a decade in trading of raw materials for poultry feed manufacturing industries. The long track record of operations and vast experience of management has helped the company to develop healthy relationship with its customers and suppliers.

- **Improvement in scale of operations**

The company has registered healthy revenues of Rs. 549.06 crore in FY 2018 as compared to Rs 469.75 crore in FY 2017 thereby registering a y-o-y growth of 16.9%. Also during the FY 2018-19, the company clocked revenue of Rs 702.12 crore till 31st March'19 (provisional). The growth in turnover is due to higher export volume on the back of increased demand from customers.

- **Efficient working capital management**

The company's operations are efficiently managed marked by gross current asset (GCA) days of 63 days in FY2019 (prov) as against 76 days in FY2017 due to improvement in inventory days from 44 days in FY2018 to 24 days in FY2019 (prov). Also, most of the goods purchased by the company are backed by confirmed orders, thereby mitigating any potential inventory loss. Debtor days stood at 24 days in FY2019 (prov). Acuité believes that due to prudent policies, the working capital management will be efficient and expected to be at similar levels over the medium term.

Weaknesses

- **Moderate financial risk profile**

The company's financial risk profile is average marked by moderate net worth, modest gearing and debt coverage metrics. The net worth of the company stood at Rs.33.82 crore as on 31 March, 2019 (prov) as against Rs.31.29 crore in the previous year. The gearing stood modest at 1.64 times as on 31 March, 2019 (prov), though it has improved from 2.59 times in the previous year on account of lower reliance on working capital borrowing. Total debt of Rs.55.33 crore as on 31 March, 2019 (prov) consist of Rs.0.09 crore of long term borrowings and working capital borrowings of Rs 54.43 crore. TOL/TNW stood at 2.95 times in FY2019 (prov). Further, interest coverage ratio (ICR) stood modest at 1.36 times in FY2019 (prov) and NCA/TD stood at 0.05 times in FY2019 (prov). Going forward, the financial risk profile is expected to remain at current levels over the medium term backed by steady accruals and no major debt funded capex plans.

- **Low Profitability**

The profitability margins of the company stands low with operating margins of ~ 2.25 per cent in FY 2019 (prov) as compared to 3.52 per cent in FY 2018. The low profitability margins are due to trading nature of operations and intense competition. PAT margin stood low at 0.36 per cent in FY 2019 (prov), though it has improved from 0.20 per cent in the previous year.

Liquidity Profile

Liquidity profile is adequate marked by net cash accruals of Rs.1.60 crore in FY 2018 with no major repayment obligation over the same period. The company's working capital is efficiently managed marked by gross current asset (GCA) days of 76 in FY 2018. The current ratio of the company stood modest at 1.18 times as on March 31, 2018. Further, the company maintains unencumbered cash and cash equivalents of Rs.1.91 crore as on March 31, 2018. However, its fund based utilization is high at 100 percent during the last three months ended March 2019. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term.

Outlook: Stable

ACUITE believes the company will maintain a stable business risk profile over the medium term. The company will continue to benefit from experienced management and long track record. The outlook may be revised to "Positive" in case the company registers strong growth in scale of operations while registering sustained improvement in profit margins and improvement in financial risk profile. The outlook may be revised to 'Negative' in case of deterioration in the company's scale of operations and profitability or capital structure, liquidity profile or in case of lengthening of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	549.06	469.75	337.24
EBITDA	Rs. Cr.	19.35	12.02	10.97
PAT	Rs. Cr.	1.09	1.61	1.83
EBITDA Margin	(%)	3.52	2.56	3.25
PAT Margin	(%)	0.20	0.34	0.54
ROCE	(%)	19.41	17.27	43.83
Total Debt/Tangible Net Worth	Times	2.59	2.22	0.81
PBDIT/Interest	Times	1.12	1.29	1.40
Total Debt/PBDIT	Times	3.86	4.94	1.91
Gross Current Assets (Days)	Days	76	65	29

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading entities-<https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.75	ACUITE BBB-/Stable (Assigned)
Proposed Long Term Facilities	Not Applicable	Not Applicable	Not Applicable	3.20	ACUITE BBB-/Stable (Assigned)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A3 (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A3 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.05	ACUITE A3 (Assigned)

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About Acuité Ratings & Research:

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