

Press Release

Phoenix Overseas Limited

July 02, 2021

Rating Upgraded



Total Bank Facilities Rated	Rs.60.00 crore
Long Term Rating	ACUITE BBB-/ Stable (Upgraded)
Short Term Rating	ACUITE A3 (Upgraded)

Rating Rationale

Acuité has upgraded the long term rating to '**ACUITE BBB- ' (read as ACUITE triple B minus)** from '**ACUITE BB+ ' (read as ACUITE double B plus)** and the short term rating to '**ACUITE A3 ' (read as ACUITE A three)** from '**ACUITE A4+ ' (read as ACUITE A four plus)** on the Rs.60.00 crore bank facilities of Phoenix Overseas Limited (POL). The outlook is '**Stable**'.

The rating upgrade is driven by the improvement in the overall business risk profile of the company marked by sharp increase in revenue and improvement in working capital operations. Further, the ratings also derives comfort from the company's experienced management, long track record of operations and sustenance of the company's comfortable financial risk profile coupled with an adequate liquidity position.

Incorporated in 2002, Phoenix Overseas Limited (POL) is a Kolkata-based company engaged in trading of food products, majorly soya de-oiled cakes, rice bran, maize and mustard oil cakes which are mainly sold to the poultry feed manufacturers. The company is promoted by Mr. Aparesh Nandi and Jayanta Kumar Ghosh. Apart from the trading business, POL manufactures jute, leather and cotton bags and provides cold-storage facilities. The company has a warehouse with capacity of 17000 MT and cold storage located at Malda, West Bengal.

Analytical Approach

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

Key Rating Drivers

Strengths

• Established presence in the industry

Established in 2002, POL has a long track record of 19 years in the trading and export of food products, majorly soya de-oiled cakes, mustard oil cakes, rice bran and maize. The company is promoted by Mr. Aparesh Nandi, who has a business experience of over a decade in trading of raw materials for poultry feed manufacturing industries. Acuité believes the established presence in the industry has enabled the company to develop a long standing healthy relationship with its customers such as Spectra Hexa Feeds Limited, Aftab Bahumukhi Farm Limited and C.P. Bangladesh Company Limited and suppliers including solvent extractors in Madhya Pradesh which will continue to support the business risk profile over the medium term.

• Comfortable financial risk profile

The financial risk profile continues to remain comfortable on account of moderate net worth, low gearing and healthy debt protection measures. The net worth of the company continues to remain moderate at Rs.36.89 crores as on March 31, 2021 (Prov) against Rs.34.13 crores as on March 31, 2020. The company has followed a conservative leverage policy reflected by gearing of 0.84 times as on March 31, 2021 (Prov) against 0.64 times as on March 31, 2020. The total debt of Rs.30.97 crores as on March 31, 2021 (Prov) comprises of working capital loan from bank of Rs.30.86 crores and current maturing obligation of Rs.0.11 crores. The healthy debt protection measures is marked by Interest Coverage Ratio (ICR) which stood healthy at 2.46 times in FY2021 (Provisional) as against 1.44 times in FY2020. Total Outside Liabilities/Tangible net worth (TOL/TNW)) stood at 1.48 times as on March 31, 2021 (Prov) compared to 1.01 times as on March 31, 2020 (Prov). Acuité believes that the financial risk profile of company will continue to remain the same over the medium term on account of steady accruals and conservative financial policy.

• Working capital efficient operations

The efficient working capital management of the company is marked by gross current asset (GCA) days of 73 days in FY2021 (prov) as against 123 days in previous year due to improvement in debtor days from 66 days in FY2020 to 34 days in FY2021 (prov). The maximum credit period extended to their customers is around 45 days. The inventory days stood at 22 days in FY2021 (prov) compared to 26 days in previous year. Most of the goods purchased by the company are backed by confirmed orders, thereby mitigating any potential inventory loss. Acuite 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

• Exposure to geographical concentration risks

The company remains exposed to geographical concentration risk as Bangladesh accounts for a major portion of its total sales. During FY2021, around 68 to 70 percent of the total sales were derived from exports to customers based out of Bangladesh. Thus, diversification of the customer base will remain a key rating sensitivity. Any changes in the trade policy of Bangladesh can impact the operations of POL.

• Low Profitability

The profitability margins of the company stands low with operating margin of 1.66 per cent in FY 2021 (prov) as compared to 1.52 per cent in FY 2020. The low profitability margins are due to trading nature of operations and intense competition from several medium to large size traders in the organised and the unorganised segments. Even, Profit after Tax (PAT) margin stood low at 0.89 per cent in FY 2021 (prov), though it has improved from 0.79 per cent in the previous year.

Rating Sensitivity

- Sustenance of financial risk profile
- Deterioration in working capital management

Material Covenants

None

Liquidity Profile: Adequate

The liquidity position of company is adequate marked by healthy unencumbered cash and bank balance stood at Rs.9.88 crore as on March 31, 2021(Prov) compared to Rs.7.12 crore as on March 31, 2020. The company generated cash accruals of from Rs.3.55 crores in FY2021 (Prov) against its repayment obligation of Rs.0.10 crores in the previous year. The current ratio of the company stands healthy at 1.45 times as on March 31, 2021 (Prov). The bank limit is utilized at 65 per cent for six months ended March 2021. However, the company has availed covid loan of Rs.7 crores. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals and no major repayments over the medium term.

Outlook: Stable

Acuite believes that POL will maintain a 'Stable' outlook over the medium term from its promoters' experience, working capital efficient operations and comfortable financial risk profile. The outlook may be revised to 'Positive' in case the company continues to register strong growth in scale of operations. The outlook may be revised to 'Negative' in case of dip in the company's scale of operations or in case of lengthening of working capital cycle leading to deterioration in liquidity.

About the Rated Entity - Key Financials

	Unit	FY21 (Prov)	FY20 (Actual)
Operating Income	Rs. Cr.	380.27	158.64
PAT	Rs. Cr.	3.01	0.80
PAT Margin	(%)	0.79	0.51
Total Debt/Tangible Net Worth	Times	0.84	0.64
PBDIT/Interest	Times	2.46	1.44

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Trading Entities – <https://www.acuite.in/view-rating-criteria-61.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition – <https://www.acuite.in/view-rating-criteria-52.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/view-rating-criteria-55.htm>
Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
27-Aug-20	Packing Credit	Short Term	24.85	ACUITE A4+ (Downgraded from ACUITE A3)
	Term loan	Long Term	0.84	ACUITE BB+/Stable (Assigned)
	Letter of Credit	Short Term	3.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Bank Guarantee	Short Term	1.05	ACUITE A4+ (Downgraded from ACUITE A3)
	Proposed bank facility	Long Term	30.26	ACUITE BB+/Stable (Downgraded from ACUITE BBB-/Stable)
13-Jun-19	Cash Credit	Long Term	2.75	ACUITE BBB-/Stable (Assigned)
	Proposed Long Term facilities	Long Term	3.20	ACUITE BBB-/Stable (Assigned)
	Letter of Credit	Short Term	3.00	ACUITE A3 (Assigned)
	Packing Credit	Short Term	50.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	1.05	ACUITE A3 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs.) Crore)	Ratings/Outlook
Packing Credit	Not Applicable	Not Applicable	Not Applicable	24.85	ACUITE A3 (Upgraded)
Term Loan	Not Available	Not Available	Not Available	0.84	ACUITE BBB-/Stable (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A3 (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.05	ACUITE A3 (Upgraded)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	30.26	ACUITE BBB-/ Stable (Upgraded)

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About Acuité Ratings & Research:

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