

## Press Release



### Phoenix Overseas Limited

September 26, 2022

### Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	18.25	ACUITE BBB-   Stable   Reaffirmed	-
Bank Loan Ratings	41.75	-	ACUITE A3   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	60.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has reaffirmed the 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**) on the Rs.60.00 Cr bank facilities of Phoenix Overseas Limited. The outlook remains '**Stable**'.

The rating takes into account the steady business risk profile of the company buoyed by stability in revenues, segmental diversity and geographic exposure. The rating also factors the experienced management, the above average financial risk profile characterized by low gearing and healthy debt coverage indicators and the efficient working capital management of the company. These strengths are, however, offset by the thin profitability margins, competitive nature of industry and exposure to foreign exchange rate fluctuations.

### About the Company

Incorporated in 2002, Phoenix Overseas Limited (POL) is a Kolkata-based company engaged in trading of food products, majorly soya de-oiled cake and mustard oil cake which are primarily sold to the poultry feed manufacturers. The company is promoted by Mr. Aparesh Nandi, Mr. Jayanta Kumar Ghosh and Mr. Uday Narayan Singh. The company also trades in other food products such as maize, wheat, to name a few. Apart from the trading business, POL manufactures jute, leather and cotton bags and provides cold-storage facilities. The warehouse of the company having a capacity of 17,000 MT and the cold storage facility is located at Malda, West Bengal. POL exports the food products to Bangladesh, while the bags are primarily exported to Europe. It is a trading house recognised by the Ministry of Commerce, Government of India.

### Analytical Approach

Acuite has considered the standalone business and financial risk profile of Phoenix Overseas Limited (POL) while arriving at the rating.

### Key Rating Drivers

## Strengths

- **Experienced management and geographic diversity**

POL is promoted by Mr. Aparesh Nandi, Mr. Jayanta Kumar Ghosh and Mr. Uday Narayan Singh, having an expertise of over a decade in the trading of raw materials for poultry feed manufacturing industry. The experienced management along with the company's long standing operations of over two decades has aided in achieving business divergence. POL has geographic exposure across countries, Bangladesh, France, UAE, U.S.A., to name a few. Out of which, it primarily exports the products to Bangladesh. The company has also achieved segmental bifurcation and trades through various commodities out of which it acquires major share of revenues from Maize, Rapeseed Oil Cake and Soyabean Extraction. Further, POL has achieved revenues of Rs.377.17 Cr as on 31<sup>st</sup> March, 2022 (provisional) as compared to Rs.381.14 Cr as on 31<sup>st</sup> March, 2021. Further, the company has achieved revenues of Rs.141.60 Cr till August, 2022 (provisional). Acuité believes that, the promoters' extensive understanding and expertise will support the company's growth plans going forward.

- **Above average financial risk profile**

The above average financial risk profile of the company is on account of improving net worth, low gearing and healthy debt protection measures. The tangible net worth of the company increased to Rs.40.63 Cr as on March 31, 2022 (provisional) from Rs.37.02 Cr as on March 31, 2022 due to accretion of profits. Gearing of the company is low at 0.73 times as on March 31, 2022 (provisional) against 0.84 times as on March 31, 2021, whereas, Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 1.29 times (provisional) as on March 31, 2022 as against 1.74 times as on March 31, 2021. Further, the healthy debt protection metrics is marked by Interest Coverage Ratio (ICR) at 2.50 times as on March 31, 2022 (provisional) and Debt Service Coverage Ratio at 1.76 times as on March 31, 2022 (provisional). The Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.14 times as on March 31, 2022 (provisional). Acuité believes that the financial risk profile of company will continue to remain above average over the medium term, in absence of any major debt funded capex plans.

- **Efficient working capital management**

The efficient working capital management of the company is marked by gross current asset (GCA) days of 72 days in FY2022 (provisional) as against 82 days in FY2021. The low GCA days are primarily on account of the inventory period of 22 days in FY2022 (provisional) as compared to 27 days in FY2021. Further, the debtor days stood comfortable at 42 days in FY2022 (provisional) as compared to 28 days in FY2021. Acuité believes that going forward, the working capital management of the company will remain at similar levels as evident from the efficient collection mechanism and comfortable inventory levels over the medium term.

## Weaknesses

- **Thin profitability margins and susceptibility to exchange rate fluctuations**

The operating margin of POL marginally increased to 2.39 per cent in FY2022 (provisional) as compared to 2.23 per cent in FY2021 on account of trading nature of business. The PAT margin stood at 0.96 per cent per cent in FY2022 (provisional) as against 0.82 in FY2021. Going forward, the margins are expected to remain range bound given the nature of the business in which the company operates. Profitability also remains exposed to any unfavourable fluctuation in forex rates.

- **Competitive industry and exposure to geographical concentration risks**

Intense competition exists in the agro-based commodities business which exerts pressure on the performance of the company. Moreover, the operations of POL continue to remain exposed to agro-climatic conditions for the production of crops and the risk of disease outbreaks in the poultry-feed industry.

The company remains exposed to geographical concentration risk as Bangladesh accounts for a major portion of the total revenues. During FY2022, around 70 to 78 per cent of the total operating income from sale of products were derived from exports to customers based out of Bangladesh. Acuité believes that, 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.

### Rating Sensitivities

- Growth in the scale of operations along with improvement in the profitability margins
- Sustenance of the capital structure

### Material covenants

None

### Liquidity Position: Adequate

The liquidity position of the company is adequate marked by steady net cash accruals of Rs.4.24 Cr in March 31, 2022 (provisional) against long term debt repayment of Rs.0.80 Cr over the same period. The current ratio stood comfortable at 1.70 times as on March 31, 2022 (provisional) as compared to 1.54 times in March 31, 2021. The unencumbered cash and bank balance stood at Rs.2.79 Cr as on March 31, 2022 (provisional). The fund based limit utilization is at 55 per cent for the six months ended July, 2022. Further, the efficient working capital management of the company is marked by low gross current asset (GCA) days of 72 days in March 31, 2022 (provisional) as against 82 days in the previous year. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of steady cash accruals.

### Outlook: Stable

Acuité believes that the outlook on POL will remain 'Stable' over the medium term on account of the experienced management, steady business risk profile and the above average financial risk profile of the company. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or operating margins, deterioration in financial risk profile or elongation in its working capital cycle.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	377.17	381.14
PAT	Rs. Cr.	3.61	3.13
PAT Margin	(%)	0.96	0.82
Total Debt/Tangible Net Worth	Times	0.73	0.84
PBDIT/Interest	Times	2.50	2.60

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>

- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Jul 2021	Bank Guarantee	Short Term	1.05	ACUITE A3 (Upgraded from ACUITE A4+)
	Proposed Bank Facility	Long Term	30.26	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	Letter of Credit	Short Term	3.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Term Loan	Long Term	0.84	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	Packing Credit	Short Term	24.85	ACUITE A3 (Upgraded from ACUITE A4+)
27 Aug 2020	Letter of Credit	Short Term	3.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Term Loan	Long Term	0.84	ACUITE BB+   Stable (Assigned)
	Bank Guarantee	Short Term	1.05	ACUITE A4+ (Downgraded from ACUITE A3)
	Proposed Long Term Loan	Long Term	30.26	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Packing Credit	Short Term	24.85	ACUITE A4+ (Downgraded from ACUITE A3)
13 Jun 2019	Packing Credit	Short Term	50.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	3.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	2.75	ACUITE BBB-   Stable (Assigned)
	Bank Guarantee	Short Term	1.05	ACUITE A3 (Assigned)
	Proposed Long Term Loan	Long Term	3.20	ACUITE BBB-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.75	ACUITE A3   Reaffirmed
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE BBB-   Stable   Reaffirmed
Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3   Reaffirmed
Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	36.00	ACUITE A3   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.95	ACUITE BBB-   Stable   Reaffirmed
Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	8.30	ACUITE BBB-   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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