



Press Release
PHOENIX OVERSEAS LIMITED
December 15, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	17.25	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	42.75	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	60.00	-	-

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 (POL). The outlook remains '**Stable**'.

Rationale for rating reaffirmation

The rating takes into account the increase in the scale of operations of POL. The rating also factors in the experienced management and the efficient working capital operations of the company. These strengths are, however, offset by the company's moderate financial risk profile and susceptibility to foreign exchange rate fluctuation coupled with geographical concentration.

About the Company

Incorporated in 2002, POL is based in Kolkata and promoted by Mr. Aparesh Nandi and Jayanta Kumar Ghosh. The company is engaged in the trading of food products namely mustard/rapeseed oil cake which is mainly sold to the poultry feed manufacturers. Additionally, the company trades in maize, wheat, soyabean extraction, wheat bran, among others. Alongside the trading activities, POL is engaged in the manufacturing of jute, leather and cotton bags. It also provides cold-storage facilities. The company's warehouse has an installed capacity of 17000 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.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of POL while arriving at the rating.

Key Rating Drivers

Strengths

Diversified operations backed by experienced management

POL is aided by the expertise of the promoters, Mr. Aparesh Nandi, Mr. Jayanta Kumar Ghosh

and Mr. Uday Narayan Singh. With the management's assistance, the company has established both geographic and segmental diversification. It has geographic exposure across countries, Bangladesh, South Africa, Germany, Sweden, Sri Lanka, to name a few.

Segmentally, the company has diversified exposure in various commodities. It acquires major share of revenues by exporting Maize, Rapeseed Oil Cake and Soyabean Extraction to Bangladesh.

Acuité believes the vintage of the promoters will continue to benefit the company going forward.

Improvement in the operating income

The scale of operations of the company increased to Rs.450.97 Cr in FY2023 from Rs.377.30 Cr in FY2022. The surge in the revenue level is primarily driven by the increase in the exports of traded goods. Further, the company has achieved revenues of Rs.271.97 Cr till September, 2023 (Provisional). The operating margin of the company marginally rose to 2.58 per cent in FY2023 from 2.34 per cent in FY2022. However, due to rise in finance cost, the PAT margin of POL slightly dipped to 0.82 per cent in FY2023 from 0.95 per cent in FY2022.

Acuité derives comfort from the diversified operations of the company and believes that, going forward, the expertise of the management will continue to benefit the company in achieving its growth plans.

Efficient working capital management

The working capital management of the company is efficient in nature marked by moderate Gross Current Asset (GCA) days. Although, the GCA days rose to 98 days in FY2023 from 71 days in the previous year but it remained at moderate levels owing to the comfortable inventory and debtor days. The inventory period slightly rose to 36 days in FY2023 from 22 days in FY2022 due to increase in the stock in transit owing to rise in the export demand. The creditor period slightly increased to 58 days in FY2023 from 22 days in FY2022. However, the debtor days stood comfortable at 26 days in FY2023 as compared to 42 days in FY2022 owing to improvement in the collection mechanism.

Acuité believes that, going forward, the working capital cycle of the company will remain around similar levels as evident from the efficient collection mechanism and comfortable inventory levels over the medium term.

Weaknesses

Moderate financial risk profile

The financial risk profile of the company is marked by the moderate net worth and debt protection metrics along with the low gearing. The tangible net worth of the company increased to Rs.43.82 Cr as on March 31, 2023 from Rs.40.62 Cr as on March 31, 2022 due to accretion of reserves. Gearing of POL stood comfortable at 0.79 times as on March 31, 2023 as against 0.73 times as on March 31, 2022. However, the Total Outside Liabilities/Tangible Net Worth (TOL/TNW) rose to 2.31 times as on March 31, 2023 from 1.29 times as on March 31, 2022 due to rise in the working capital requirements. The moderate debt protection metrics is marked by Interest Coverage Ratio (ICR) at 1.90 times as on March 31, 2023 and Debt Service Coverage Ratio at 1.43 times as on March 31, 2023. The Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.13 times as on March 31, 2023.

Acuité believes that the financial risk profile of company will improve over the medium term backed by steady accruals and absence of any major debt funded capex plans.

Exposure to geographical concentration risks and forex fluctuations

The company remains exposed to geographical concentration risk as Bangladesh accounts for a major portion of the total revenues. Around 70 to 78 per cent of the total operating income from sale of products are derived from exports to customers based out of Bangladesh.

The company's business remains exposed to fluctuations in foreign exchange rate, thereby affecting its revenues and margins. Although, there is no instance of losses in the recent past, but the company remains susceptible to foreign exchange rate fluctuations over the medium term. 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

- Improvement in the profitability margins while improving the scale of operations

- Improvement in the capital structure

All Covenants

None

Liquidity Position

Adequate

The liquidity position of the company is adequate marked by steady net cash accruals of Rs.4.42 Cr in FY2023 as against long term debt repayment of Rs.1.21 Cr over the same period. The unencumbered cash and bank balance stood rose to Rs.35.63 Cr as on March 31, 2023 from Rs.2.79 Cr as on March 31, 2022 on account of increase in the Exchange Earners' Foreign Currency (EEFC) account balance by Rs.22.12 Cr. Moreover, the fund based limit utilization stood low at 42 per cent over the seven months ended September, 2023. The current ratio stood comfortable at 1.32 times as on March 31, 2023. Further, the efficient working capital management is marked by moderate Gross Current Asset (GCA) days of 98 days in FY2023 as against 71 days over the previous year.

Acuité believes that the liquidity position of the company is likely to remain adequate over the medium term backed by 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, improvement in the scale of operations, the moderate financial risk profile of the company and the efficient working capital management. The outlook may be revised to 'Positive' in case of significant growth in revenue and operating margins from the current levels followed by improvement in the financial risk profile. 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	450.97	377.30
PAT	Rs. Cr.	3.72	3.60
PAT Margin	(%)	0.82	0.95
Total Debt/Tangible Net Worth	Times	0.79	0.73
PBDIT/Interest	Times	1.90	2.49

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

Not Applicable

Any other information

None

Applicable Criteria

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
26 Sep 2022	Letter of Credit	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Proposed Bank Facility	Long Term	0.95	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	8.30	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	9.00	ACUITE BBB- Stable (Reaffirmed)
	Packing Credit	Short Term	36.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	0.75	ACUITE A3 (Reaffirmed)
02 Jul 2021	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+)
	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+)
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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	0.75	ACUITE A3 Reaffirmed
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE BBB- Stable Reaffirmed
Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A3 Reaffirmed
Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	37.00	ACUITE A3 Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.45	ACUITE BBB- Stable Reaffirmed
Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	6.80	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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