

Press Release

ONUS Enterprise Private Limited (OEPL)

19 January, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.13.00 Cr
Long Term Rating	SMERA BB/Stable (Reaffirmed)
Short Term rating	SMERA A4+ (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the ratings of '**SMERA BB**' (read as SMERA double B) and '**SMERA A4+**' (read as SMERA A four plus) on the Rs.13.00 crore bank facilities of ONUS Enterprise Private Limited (OEPL). The outlook is '**Stable**'.

OEPL was incorporated in 2014 to take over the existing business of Onus Enterprise (a proprietorship firm), engaged in the trading and processing of food products.

List of key rating drivers and their detailed description

Strengths:

Experienced management: The promoter, Mr. Kalpesh Shah has around a decades experience in the trading business. Apart from processing and trading of cashews and other agro commodities, the promoter also trades in spices through its group entity, Wintrade Exim Private Limited.

Healthy revenue growth: OEPL booked revenue of Rs.98.12 crore for FY2015-16 as compared to Rs.60.83 crore for FY2014-15.

Improvement in margins: The margins of OPEL improved substantially in FY2015-16 as compared to that in FY2014-15. The EBITDA margin stood at 4.64 per cent in FY2015-16 (2.57 per cent in FY2014-15) due to decrease in selling expenses.

Weaknesses:

Moderate financial risk profile: The gearing of OPEL deteriorated from 1.11 times as on 31 March, 2015 to 2.19 times as on 31 March, 2016. This is due to increase in working capital borrowings from Rs.1.99 crore in FY2014-15 to Rs.9.49 crore in FY2015-16. However, the ICR (interest coverage) improved marginally from 1.77 times in FY2014-15 to 2.85 times in FY2015-16. Improvement in coverage is in tune with improved operating and profit margins. The tangible networth is moderate at Rs 5.36 crore as on 31 March 16 as compared to Rs 3.36 crore as on 31 March, 2015.

Working capital intensive operations: OPEL has working capital intensive operations marked by increase in short term working capital borrowings of Rs.9.49 crore as on 31 March, 2016 as against Rs1.99 crore as on 31 March, 2015. The operations continue to be working capital intensive with debtors of 77 days as on 31 March, 2016 (42 days as on 31 March, 2015) and inventory of 13 days as on 31 March, 2016 (8 days as on 31 March, 2015).

Agro climatic risks: The ratings continue to be constrained by agro climatic risks as raw materials - cashews and grains, are seasonal crops and production is highly dependent upon the monsoon.

Intense competition: The company operates in a highly competitive industry with low entry barriers resulting in intense competition from organised as well as unorganised players.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the company.

Applicable Criteria:

- Trading: <https://www.smera.in/criteria-trading.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that the outlook on OEPL will remain stable over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers strong growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues and profit margins.

About the Company

OEPL was incorporated in 2014 to take over the existing business of Onus Enterprise (a proprietorship concern). Onus Enterprise (OE) is engaged in the import and processing of dry fruits (cashews and almonds) and trading of rice, fruits, other food items and beverages apart from manufacturing biscuits. It also trades in food products such as cashew, biscuits, wine, spices among others.

For FY2015-16, OEPL reported net profit of Rs.2.32 crore on operating income of Rs.98.12 crore, as compared with net profit of Rs.0.68 crore on operating income of Rs.60.83 crore in FY2014-15. Further, the net worth of the company stood at Rs.5.36 crore as on FY2015-16 as compared to Rs.3.36 crore as on FY2015-16.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Proposed Cash Credit	LT	3.00	SMERA BB/Stable (Reaffirmed)	-	-	18 Nov 2015	SMERA BB/Stable (Assigned)	-	-
Proposed Letter of Credit	LT	10.00	SMERA A4+ (Reaffirmed)	-	-	18 Nov 2015	SMERA A4+ (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
Proposed Cash Credit	N.A	N.A	N.A	3.00	SMERA BB/Stable (Reaffirmed)
Proposed Letter of Credit	N.A	N.A	N.A.	10.00	SMERA A4+ (Reaffirmed)

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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