



**Press Release**  
**OSTERN PRIVATE LIMITED**  
**June 13, 2023**

**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	56.80	ACUITE BBB   Stable   Reaffirmed	-
Bank Loan Ratings	3.20	-	ACUITE A2   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	60.00	-	-

**Rating Rationale**

Acuite has reaffirmed the long-term rating of '**Acuite BBB**' (read as **Acuite triple B**) and the short-term rating of '**Acuite A2**' (read as **Acuite A Two**) on the Rs. 60.00 crore bank facilities of Ostern Private Limited. The outlook is '**stable**'.

**Rationale for Rating**

Acuite takes into account the experience of the management in the same line of business and the increase in operating income in the financial year 2023 (provisional). The operating revenue of the company has increased and stood at Rs. 163.96 crore in FY 2023 (provisional) as against Rs. 121.30 crore in FY 2022. Although operating income has increased in FY 23, operating margins have declined by 88 basis points. The EBITDA margin stood at 7.26% in FY 23 as compared to 8.14% in FY 22. The decline is due to the rise in prices of the raw materials, which the company was not able to pass on further. The operating income of the company is expected to increase further, and to cater to the demand, the company is enhancing its capacity to 25 lac pieces per day. The above factors are underpinned by stiff competition between organised and unorganised players. Albeit there has been improvement in GCA days, it has remained high and hence is a rating constraint.

**About the Company**

Incorporated in 1978, Ostern Private Limited (OPL) is a Kolkata-based company promoted by Mr. Jagdish Agarwal and Mr. Vishesh Agarwal. The company is engaged in the manufacturing of writing instruments such as ball pens, gel pens, makers, and highlighters, among others, with an installed capacity of 20 lakh pieces per day. OPL is an ISO 9001:2008 certified company, with its manufacturing facility located in Kolkata.

**Analytical Approach**

Acuite has considered the standalone business and financial risk profile of OPL to arrive at the rating.

**Key Rating Drivers**

**Strengths**

**Experienced management and a long track record of operation**

The promoters, Mr. Jagadish Agarwal and Mr. Vishesh Agarwal, have more than two decades of experience in the pen manufacturing industry. The long track record of operations

has helped the company build long-term relationships with customers as well as with suppliers, resulting in growth in operations.

#### **Improved scale of operations**

The operating revenue of the company has increased and stood at Rs. 163.96 crore in FY 2023 (provisionals) as against Rs. 121.30 crore in FY 2022. The total income of the company is expected to increase further due to better demand prospects, and to cater to such demand, the company is increasing its capacity from 20 lac pieces per day to 25 lac pieces per day.

#### **Improved financial risk profile**

The financial risk profile of the company is marked by improved net worth, comfortable gearing, and debt protection metrics. The net worth of the company stood at Rs. 32.12 crore in FY 2023 (provisional) as against Rs. 28 crore in FY 2022. This improvement is due to the retention of profits in FY 23. The gearing of the company stood at 0.78 times in FY 23 as against 1.04 times in FY 22. The DSCR for the company improved to 2.48 times in FY 23 as against 1.38 times in FY 22.

### **Weaknesses**

#### **Susceptibility of operating margin to raw material price change**

The operating margin of the company is susceptible to changes in the raw material price as the company is unable to pass on the increase completely to its customers. The same is apparent from the change in operating margin in the past three years. Though the value of EBITDA has increased, the EBITDA margins have declined in FY23, which stood at 7.26% in FY23 as compared to 8.14% in FY22.

#### **Strong competition**

The market is highly competitive with large and organised players; further, the competition includes local and unorganised players in the same domain of business. As a result of stiff competition from other players in the market, the company is unable to pass on its increase in costs, and hence the margins have seen a declining trend.

#### **Stretched though improving gross current asset days**

Although the company has shown improvement in working capital management in FY 23 (provisional) as compared to the last financial year, the GCA days stood stretched at 142 days in FY 23 and 165 days in FY 22.

#### **Project implementation risk**

The company is undergoing CAPEX to increase its current capacity from 20 lac pieces per day to 25 lac pieces per day, with a total capital outlay of Rs. 24.50 crore. The implementation of the same will be done in another six months, and hence it remains a key monitorable. Though the risk of implementation and commencement of operation is there, the same is mitigated up to a limit by the experience of management and the robust demand in the market.

### **Rating Sensitivities**

1. Revenue growth over the medium term while maintaining the operating margins.
2. Ability to maintain the conservative capital structure.
3. Any material deterioration in working capital parameters.
4. Deterioration in the coverage indicators.

### **Material covenants**

None

### **Liquidity Position**

#### **Adequate**

The company has adequate liquidity, marked by comfortable net cash accruals of Rs. 7.56 crore as against Rs. 1.35 crore in long-term debt obligations in FY2023. The current ratio of the company stood comfortably at 1.30 times in FY2023. The company has fund-based limits of Rs. 30.15 crore, which are utilised at 67.37% in the last 6 months ending March 2023, and non-fund-based limits of Rs. 8.20 crore, which are utilised at 69.53% in the last 6 months ending March

2023. The debt EBITDA of the company stood at 2.11 times in FY 23 as against 3.08 times in FY 22.

**Outlook: Stable**

Acuité believes that OPL will continue to benefit over the medium term from the management's experience and its long track record. The outlook may be revised to 'positive' if OPL is able to generate higher than expected revenues and profitability while improving its financial risk profile. Conversely, the outlook may be revised to 'negative' if the company is unable to revert to its earlier revenue levels or if there is a deterioration in its financial risk profile due to higher than expected working capital requirements.

**Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	163.96	121.30
PAT	Rs. Cr.	4.47	1.44
PAT Margin	(%)	2.73	1.19
Total Debt/Tangible Net Worth	Times	0.78	1.04
PBDIT/Interest	Times	4.19	2.77

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

Crisil vide its press release dated 20.06.2022 had rated the company to CRISIL B+/Stable/A4; Issuer Not Cooperating.

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
21 Mar 2022	Cash Credit	Long Term	5.20	ACUITE BBB   Stable (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	11.95	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	4.80	ACUITE BBB   Stable (Reaffirmed)
	Letter of Credit	Short Term	1.70	ACUITE A2 (Reaffirmed)
	Letter of Credit	Short Term	0.55	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	4.80	ACUITE BBB   Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.50	ACUITE A2 (Reaffirmed)
	Bank Guarantee	Short Term	1.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	17.88	ACUITE BBB   Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	2.20	ACUITE BBB   Stable (Assigned)
	Working Capital Demand Loan	Long Term	0.60	ACUITE BBB   Stable (Assigned)
	Bank Guarantee	Short Term	0.50	ACUITE A2 (Reaffirmed)
	Working Capital Demand Loan	Long Term	1.32	ACUITE BBB   Stable (Assigned)
21 Dec 2020	Proposed Bank Facility	Long Term	6.85	ACUITE BBB   Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.50	ACUITE A2 (Reaffirmed)
	Letter of Credit	Short Term	1.70	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	14.25	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE BBB   Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.50	ACUITE A2 (Reaffirmed)
	Bank Guarantee	Short Term	0.80	ACUITE A2 (Reaffirmed)
	Letter of Credit	Short Term	0.55	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	6.25	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	3.00	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	6.50	ACUITE BBB   Stable (Reaffirmed)
		Short		

	Letter of Credit	Term	1.00	ACUITE A2 (Reaffirmed)
	Letter of Credit	Short Term	5.10	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE BBB   Stable (Reaffirmed)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Standard Chartered Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	0.50	ACUITE A2   Reaffirmed
Standard Chartered Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	17.15	ACUITE BBB   Stable   Reaffirmed
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	18.00	ACUITE BBB   Stable   Reaffirmed
Standard Chartered Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.70	ACUITE A2   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	3.65	ACUITE BBB   Stable   Reaffirmed
Standard Chartered Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	9.00	ACUITE BBB   Stable   Reaffirmed
ICICI Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	9.00	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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