



Press Release
Ostern Private Limited
September 10, 2024
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
Total Outstanding Quantum (Rs. Cr)	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 Reaffirmation

The rating reaffirmation reflects stable operating and financial performance of OPL during the review period, marked by moderate increase in operating income and profitability margins. The company reported revenue increase to Rs. 168.46 Cr. in FY2024 (Prov.) as against Rs. 163.79 Cr. in FY2023 while recording a 116bps growth in operating margins. The financial risk profile of the company continues to remain moderate. However, the rating remains constrained by working capital intensive operations and implementation risk of ongoing capex. The company is undergoing a capex to enhance its production capacity by ~20% per day, however, the project completion got delayed and is expected to commence commercial operations from Q4FY2025. Going forward, the company's ability to complete the ongoing capex without further and improvement in the scale of operations and profitability while maintaining the capital structure will remain a key rating monitorable.

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.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité 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.

Moderate 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.30.28 crore in FY2024(Prov.) as against Rs.24.17 crore in FY2023. This improvement is due to the retention of profits in FY24. The gearing of the company stood similar from the previous year and stood at 1.37 times in FY24(Prov.) and FY23. The DSCR for the company improved to 2.74 times in FY24 (Prov.) as against 2.49 times in FY23.

Stable operating performance

The operating revenue of the company has increased and stood at Rs. 168.46 crore in FY2024 (Prov.) as against Rs.163.79 crore in FY2023. The 3MFY25 revenue stood at Rs.36.33 crore. The operating profitability stood at 8.27% in FY2024 (Prov.) as against 7.11% in FY2023.

Weaknesses

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.

Stretched though improving gross current asset days

Although the company has shown improvement in working capital management in FY24 (Prov.) as compared to the last financial year, the GCA days stood stretched at 134 days in FY24(Prov.) and 137 days in FY23.

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 pricing power of entities remains limited.

Rating Sensitivities

- Revenue growth over the medium term while maintaining the operating margins.
- Any material deterioration in working capital parameters.
- Deterioration in the coverage indicators.

Liquidity Position Adequate

The company has adequate liquidity, marked by comfortable net cash accruals of Rs.9.73 crore as against Rs.1.76 crore in long-term debt obligations in FY2024(Prov.) The current ratio of the company stood comfortably at 1.32 times in FY2024(Prov.) The company has fund-based limits of Rs. 35.15 crore, which are utilised at 70.79% in the last 6 months ending August 2024.

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' in case of further delay in ongoing capex impact the scale of operations, profitability and capital structure of OPL or higher than expected working capital requirements impacting the liquidity position of the company.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	168.46	163.79
PAT	Rs. Cr.	6.64	4.49
PAT Margin	(%)	3.94	2.74
Total Debt/Tangible Net Worth	Times	1.37	1.37
PBDIT/Interest	Times	5.30	4.20

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>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.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
13 Jun 2023	Bank Guarantee/Letter of Guarantee	Short Term	0.50	ACUITE A2 (Reaffirmed)
	Letter of Credit	Short Term	2.70	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	17.15	ACUITE BBB Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	3.65	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	9.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	9.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	18.00	ACUITE BBB Stable (Reaffirmed)
21 Mar 2022	Cash Credit	Long Term	5.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	4.80	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	5.20	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	11.95	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	4.80	ACUITE BBB Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	17.88	ACUITE BBB Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	0.60	ACUITE BBB Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	2.20	ACUITE BBB Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	1.32	ACUITE BBB Stable (Assigned)
	Letter of Credit	Short Term	1.00	ACUITE A2 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	1.50	ACUITE A2 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	0.50	ACUITE A2 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	1.00	ACUITE A2 (Reaffirmed)
	Letter of Credit	Short Term	0.55	ACUITE A2 (Reaffirmed)
	Letter of Credit	Short Term	1.70	ACUITE A2 (Reaffirmed)

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 Baroda	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.50	ACUITE A2 Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	17.15	ACUITE BBB Stable Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	18.00	ACUITE BBB Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.70	ACUITE A2 Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.65	ACUITE BBB Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Jun 2029	Simple	9.00	ACUITE BBB Stable Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Jun 2029	Simple	9.00	ACUITE BBB Stable Reaffirmed

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Akshat Shah Associate Analyst-Rating Operations Tel: 022-49294065 akshat.shah@acuite.in	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 rating.desk@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.