

Press Release

Oswal Psyllium Export (OPE)

May 22, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.5.00 Cr
Long Term Rating	SMERA B+/Stable (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned the long-term rating of '**SMERA B+** (read as SMERA B)' on the Rs.5.00 crore bank facilities of Oswal Psyllium Export (OPE). The outlook is '**Stable**'.

Oswal Psyllium Export (OPE) was established in the year 2007 by Mr. Anil Nahata and Mr. Sanjay Begani. The commercial operations of the company commenced from 2008. The firm is engaged in the business of manufacture and export of psyllium husk and psyllium husk powder, Lali, Gota, Cheet etc. Sales are to various countries like USA, Pakistan, UK, Afghanistan, France and others. OPE is also engaged in trading of soya beans, mustard seed, wheat and other.

List of key rating drivers and their detailed description

Strengths:

Long track record of operations and experienced management: The promoters, Mr. Anil Nahata and Mr. Sanjay Begani, have more than one decades experience in the said line of business, which has helped him in developing good relations with its customers.

Moderate financial risk profile: The firm has moderate financial risk profile marked by moderate gearing, interest coverage and networth. OPE has moderate gearing debt-to-equity at 1.59 times as on 31 March, 2016 against 1.70 times in FY2014-15. The interest coverage ratio is at 1.15 times in FY15-16 against 1.41 times in FY14-15. The networth of the firm stood at Rs.9.00 crore as on March 31, 2016 against Rs.4.75 crore in the preceding year. The improvement in the gearing levels and networth is mainly on account of conversion of Rs 6.47 crore of unsecured loans into quasi equity in FY15-16 against Rs.2.92 crore in FY14-15. These unsecured loans are fully subordinate to bank debt. The net cash accrual (NCA)/total debt (TD) is low at 0.02 times in FY15-16 against 0.08 times in FY14-15.

Weaknesses:

Declining revenue and profitability: The firm has declining revenue at Rs. 41.96 crore in FY15-16 against Rs.46.84 crore in FY14-15. The profitability is at Rs.0.23 crore in FY15-16 against Rs.0.55 crore in the previous year. The firm's net profitability margin has declined and stood at 0.56 per cent in FY15-16 against 1.16 per cent in FY14-15. The revenue has declined due to slow down in the market and low work orders. OPE has achieved the operating income of ~Rs. 47.09 crore till February, 2017 in FY16-17.

Stretched working capital cycle: The working capital intensity of the entity is marked by high gross current asset (GCA) days of 206 in 2015-16 as against 97 days in the preceding year. The elongation in the working capital in the FY2016 has been mainly due to high inventory of the company which stood at 172 days as compared to 24 days in the previous year. The inventory levels of the firm has increased

manifold in 2015-16 mainly due to year end purchases of psyllium seed, soya and mustard seed in March 2016 which has been traded in the first quarter of FY2016-17. The debtor days are at 40 days in FY15-16 against 65 days in FY14-15.

Intense competition: The firm faces intense competition from various players in India and overseas which is likely to impact operating performance and profitability.

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

Applicable Criteria

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

Outlook: Stable

SMERA believes OPE outlook continues to remain stable over the medium term on the back of its experienced management and healthy relationship with its suppliers and customers. The outlook will revise to "Positive", if there is significant growth in operating income and profitability profile. Conversely the outlook may be revised to "Negative", in case of further lengthening of working capital cycle or large debt funded capex.

About the Rated Entity

Oswal Psyllium Export (OPE) was established in the year 2007 by Mr. Anil Nahata and Mr. Sanjay Begani. The commercial operations of the company commenced from 2008. The firm is engaged in the business of manufacture and export of psyllium husk and psyllium husk powder, Lali, Gota, Cheet etc. Sales are to various countries like USA, Pakistan, UK, Afghanistan, France and others. OPE is also engaged in trading of soya beans, mustard seed, wheat and other.

For FY2015-16, the firm reported profit after tax (PAT) of Rs.0.23 crore on operating income of Rs.41.96 crore, as compared with PAT of Rs.0.55 crore on operating income of Rs.46.84 crore in FY2014-15. The net worth stood at Rs.9.00 crore (included quasi equity of Rs.6.47) as on 31 March, 2016 against Rs.4.75 crore (included quasi equity of Rs.2.92) a year earlier.

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	FY 2017			FY 2016		FY 2015		FY 2014	
	Scale	Amt. (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	5.00	SMERA B+/Stable (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
Cash Credit	N.A	N.A	N.A	5.00	SMERA B+/Stable (Assigned)

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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