

Press Release

Oceanic Trade Minerals Private Limited

September 07, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	ACUITE BBB+ Positive Assigned	-
Total Outstanding Quantum (Rs. Cr)	20.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long term rating of '**ACUITÉ BBB+**' (read as **ACUITE triple B Plus**) on the Rs 20.00 Cr. bank facilities of Oceanic Trade Minerals Private Limited (OTMPL). The outlook is '**Stable**'.

Rational For Rating

The rating assigned factors experienced management and long track record of operations of the group. The rating also derives strength from its reputed clientele base of top cement companies namely Ultratech Cement Ltd., Dalmia Cement Ltd., JK Cement Ltd., Ramco Cement Ltd., amongst others. The rating also factors expectation of further improvement in the business risk profile particularly growth in operations and sustenance of margins while maintaining its working capital cycle, its moderate financial risk profile and strong liquidity position. However, the above mentioned rating strengths are partly constrained by, thin profitability margins owing to inherent nature of business and intense competition in the industry.

About Company

Oceanic Trade Minerals Private Limited incorporated in the year 2019. The Registered Office is in Mumbai. Oceanic Trade Minerals Private Limited currently engaged in Import and trading of Natural Gypsum, Cement Clinker and Laterite. The Current Directors of the company are Mrs. Sunita Manoj Khetan and Mr. Manoj Shyam Sunder Khetan.

About the Group

Mumbai based Kay Kay Trading Company (KKTC) is a partnership firm set up in 1988 by Mr. Manoj Khetan, Mrs. Sunita Khetan and Mr. Nishit Khetan. The firm is currently engaged in trading of mineral gypsum and clinker to various top cement companies in the country. Prior to trading of gypsum and clinker, the firm was engaged in trading of bearings which has now been discontinued. Further, the firm started trading of gypsum from FY17 and clinker from FY20 and it imports all traded goods from the Middle East countries. The firm currently operates from 14 ports across the country.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has consolidated the business and financial risk profiles of Oceanic Trade Minerals Private Limited and Kay Kay Trading Company and hereinafter referred to as Oceanic Group on account of their common line of business, common management, and significant operational and financial linkages.

Key Rating Drivers

Strengths

>Experienced management and established track record of operations with reputed clientele

The Mumbai-based Oceanic Group incorporated by Mr. Manoj Khetan and family. The promoters possess over three decades of experience in the trading business. The extensive experience of the promoters has helped the group to establish strong ties with its suppliers and customers. As a result the revenues of the company have grown at a compounded annual growth rate (CAGR) of 14% over the last three years through FY 2022. The group caters to renowned cement manufacturing companies, including Ultratech Cement Ltd., Dalmia Cement Ltd., JK Cement Ltd., Ramco Cement Ltd., amongst others. The extensive experience of promoters is reflected through the improvement in the revenue of the group at Rs.906.87 crore in FY2022 (Prov) against 706.88 crore in FY2021. However, the group is expected to achieve revenues of around Rs.1000-1100 crore in FY2023. The group has orders in hand of around Rs.189.14 crore as on 31st July, 2022.

Acuité believes that the group will continue to benefit from its experienced management and established relationships with both customers as well as suppliers in the medium term.

>Healthy financial risk profile

The group's financial risk profile is moderate marked by modest networth, moderate total outside liabilities to total net worth (TOL/TNW) and above average debt protection indicators.

The gearing stood at 0.75 times as on March 31, 2022 against 0.55 times as on March 31, 2021 on account of plough back of profits to reserves. TOL/TNW stood at 2.46 times as on March 31, 2022 against 3.49 times as on March 31, 2021. Of the total debt of Rs.34.49 crore as on March 31, 2022, long-term debt stood at Rs.0.36 crore, short-term debt stood at Rs.30.70 crore, unsecured loans stood at Rs.3.43 crore. The company has followed a moderately aggressive financial policy in the past as reflected by peak gearing levels of around 0.77 times as on March 31, 2020.

Tangible net worth of the group stood modest at Rs.45.71 crore as on March 31, 2022 against Rs.32.88 crore as on March 31, 2021. The networth is expected to remain modest on account of limited accretion to reserves. Debt protection metrics of interest coverage ratio and net cash accruals to total debt stood comfortable at 13.02 times and 0.53 times respectively in FY2022; while DSCR stood at 9.33 times in FY2022.

Acuité believes that the financial risk profile of the firm is expected to remain moderate in the absence of any major debt funded capex in near to medium term.

>Efficient working capital management

Group's working capital operations are efficient marked by moderate Gross Current Asset days (GCA) of 59 days in FY2022 against 72 days in FY2021. This is majorly on account of efficient inventory and receivable management. The inventory days stood at 26 days in FY2022 against 07 days in FY2021. The inventory holding policy of the firm depends on the demand and orders in hand. However, there are no dead stock or cancelled orders. The debtors' days stood at 22 days in FY2022 against 27 days in FY2021 which is corresponding to normal terms with the customers. The credit period given to customers is 0-30 days. The creditors' days stood at 25 days in FY2022 against 41 days in FY2021. The firm makes advance payment partially and the remaining is paid within 1 month. The current ratio of the firm also remained moderate at 1.43 times as on March 31, 2022. However, working capital limits remains utilized at 40-43 percent for last 06 months ended July, 2022.

Acuité believes that the ability of the group to maintain efficient working capital management will remain a key rating sensitivity.

Weaknesses

>Vulnerability of profitability owing to volatility in cement prices

The profitability margins of the group are susceptible to volatility in gypsum and clinker prices in the international market as the group imports 100 percent of its traded goods from Middle Eastern countries. Significant changes in prices of gypsum and clinkers impact the margins of the group.

Acuité believes that profitability of the group will remain susceptible to volatility in gypsum and clinker prices in the near to medium term.

>Susceptibility to cyclical nature of industry and competitive nature of industry

The group engaged in trading business of gypsum, clinker and laterite to the top cement manufacturers of the country. The cement consumption is majorly dependent upon the economic activities taking place in and around the country. The end user industry being infrastructure and real state, any significant slowdown in these industries will impact the demand of cement and will impact the revenues of the group. Further, the firm competes with various players in the organized and unorganized segments in the gypsum trading industry, thus limiting the pricing power.

Rating Sensitivities

- Growth in revenue with sustainability of the profitability margins.
- Any deterioration of its financial risk profile and liquidity position.

Material Covenants

None.

Liquidity Position: Strong

The group has strong liquidity position as reflected by adequate net cash accruals. The firm generated cash accruals in the range of Rs.12.79 crore – Rs.18.40 crore during the last three years through FY2020-22. It is expected to generate cash accruals in the range of Rs.24.47 crore – Rs.33.37 crore over the medium term. Unencumbered cash and bank balances stood at Rs.17.98 crore as on March 31, 2022 with a current ratio of 1.43 times in the same period. Liquid investments stood at Rs.4.23 crore as on March 31, 2022. Group's working capital operations are efficient marked by moderate Gross Current Asset days (GCA) of 59 days in FY2022 against 72 days in FY2021. This is majorly on account of efficient inventory and receivable management. The working capital limits remained utilized at ~40-43 percent for last trailing 06 months ended July, 2022.

Acuité believes that liquidity profile is expected to remain strong on account of adequate cash accruals.

Outlook:

Acuité believes that the group will maintain a 'Positive' outlook over the medium term owing to its experienced management & long track record of operations, stable in the revenues & margins, comfortable financial risk profile & strong liquidity position. The outlook may be revised to 'Stable' if the group demonstrates low revenues & margins from the current levels or deterioration in the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the group further registers lower than expected growth in revenues and profitability or further deterioration in its working capital management or larger-than expected debt-funded capex leading to deterioration in its financial risk profile and liquidity.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	906.87	706.88
PAT	Rs. Cr.	17.92	12.75
PAT Margin	(%)	1.98	1.80
Total Debt/Tangible Net Worth	Times	0.75	0.55
PBDIT/Interest	Times	13.02	14.73

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

Not Applicable

Any Other Information

None.

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on Complexity Levels of the Rated Instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History:

Not applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB+ Positive Assigned

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About Acuité Ratings & Research

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