



Press Release
Oceanic Trade Minerals Private Limited
February 22, 2024

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	ACUITE BBB+ Stable Assigned	-
Bank Loan Ratings	20.00	ACUITE BBB+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	40.00	-	-

Rating Rationale

Acuite has reaffirmed its long term rating of '**ACUITÉ BBB+**' (read as **ACUITE t riple B Plus**) on the Rs 20.00 Cr. bank facilities of Oceanic Trade Minerals Private Limited (OTMPL). The outlook is '**Stable**'.

Further, Acuite has assigned its long term rating of '**ACUITÉ BBB+**' (read as **ACUITE t riple B Plus**) on the Rs 20.00 Cr. bank facilities of Oceanic Trade Minerals Private Limited (OTMPL). The outlook is '**Stable**'.

Rationale For Rating

The rating is reaffirmed and outlook revised to stable in view of the improvement in operating performance marked by improved operating income and profitability margins albeit moderation noted in the overall financial risk profile marked by surge in gearing and debt protection metrics. The revenue of the group improved and stood at Rs. 1017.85 Cr in FY2023 as against Rs. 982.48 Cr in FY2022. The operating profitability improved and stood at 3.14 percent in FY2023 as against 2.96 percent in FY2022. The PAT margins registered a slight decline as it stood at 1.73 percent in FY2023 as against 1.86 percent in FY2022 primarily driven by increase in interest costs. The overall gearing rose to 1.70 times as on March 31, 2023 as against 0.78 times as on March 31, 2022. The surge is primarily in working capital borrowings, used to make advance payment to procure raw materials at discounted prices. The interest coverage and debt service coverage ratio though recorded decline remained comfortable at 5.95 times and 4.37 times respectively for FY2023 as against 15.47 times and 10.93 times for FY2022.

Going forward, the group's ability to improve its scale of operations and profitability margins while maintaining its capital structure will remain a key rating monitorable.

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.

Unsupported Rating

Not Applicable

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. 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.1017.85 crore in FY2023 as against Rs. 982.48 crore in FY2022. The group in H1FY2024 has already recorded sale of Rs.537 Cr and is estimated to close the year in the range of Rs. 1100-1200 Cr while maintaining its profitability margins. The operating profitability improved and stood at 3.14 percent in FY2023 as against 2.96 percent in FY2022. The PAT margins registered a slight decline as it stood at 1.73 percent in FY2023 as against 1.86 percent in FY2022 primarily driven by increase in interest costs.

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.

> Moderate financial risk profile

The financial risk profile of the group is moderate marked by modest net-worth, moderate gearing and comfortable debt protection metrics. The net-worth of the group stood at Rs.56.97 Cr as on March 31, 2023 as against Rs.46.01 Cr as on March 31, 2022. The overall gearing rose to 1.70 times as on March 31, 2023 from 0.78 times as on March 31, 2022. The surge in gearing levels is primarily on account of higher utilisation of working capital limits as on year end. The company primarily avails only working capital limits. The total debt stood at Rs. 96.95 Cr as on March 31, 2023 out of which Rs.0.07 Cr was unsecured loan from promoters and related parties and balance Rs. 96.95 Cr constituted short term borrowings from banks. The debt protection metrics marked by interest coverage ratio and debt service coverage ratio though declined, stood comfortable at 5.95 times and 4.37 times respectively in FY2023 as against 15.47 times and 10.93 times respectively in last year. The TOL/TNW stood at 2.66 times as on March 31, 2023 as against 2.80 times as on March 31, 2022. The Debt to EBITDA surged to 3.02 times in FY2023 as against 1.23 times in last year.

Acuite believes the group's financial risk profile will continue to remain moderate in absence of any major debt-funded capex plan over the near to medium term.

> Efficient working capital management

The working capital cycle of the group is efficient marked by gross current asset days of 68 days in FY2023 as against 61 days last year. The GCA days are primarily driven by debtor and inventory days which stood at 33 days and 24 days respectively as against 24 days each last year. The company generally receives 90% of its payment within 7 days of loading material on transport and balance 10 percent of the order value is received with 30 days of the dispatch. The company largely makes advance payments to its suppliers to get better prices on its purchases, however, due to long standing relationships with some of its suppliers, the company can avail a week long credit period with a select few incase required. The average utilisation of the fund based facilities of the group for the six months ended December, 2023 was ~49%.

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

Significant growth in revenue with sustainability of the profitability margins.
Further deterioration of its financial risk profile and liquidity position.

Liquidity Position Adequate

The group has adequate liquidity position as reflected by adequate net cash accruals. The group generated cash accruals in the range of Rs.18.20 crore – Rs.18.73 crore during the last two years through FY2022-23. It is expected to generate cash accruals in the range of Rs.21 crore – Rs.30 crore over the medium term. Unencumbered cash and bank balances stood at Rs.8.37 crore as on March 31, 2023 with a current ratio of 1.29 times in the same period. Liquid investments stood at Rs.4.34 crore as on March 31, 2023. Group's working capital operations are efficient marked by moderate Gross Current Asset days (GCA) of 68 days in FY2023 against 61 days in FY2022. This is majorly on account of efficient inventory and receivable management. The working capital limits remained utilized at ~49 percent for last trailing 6 months ended December, 2023. Acuité believes that liquidity profile is expected to remain adequate on account of adequate cash accruals against repayment obligations.

Outlook:Stable

Acuité believes that the group will maintain a 'Stable' outlook over the medium term owing to its experienced management & long track record of operations, moderate financial risk profile and efficient working capital management. The outlook may be revised to 'Positive' if the group demonstrates higher than expected growth in revenues and profitability margins while maintaining its liquidity profile. Conversely, the outlook may be revised to 'Negative' in case the group registers elongation in its working capital cycle leading to deterioration in liquidity position or further deterioration in its financial risk profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	1017.85	982.48
PAT	Rs. Cr.	17.61	18.30
PAT Margin	(%)	1.73	1.86
Total Debt/Tangible Net Worth	Times	1.70	0.78
PBDIT/Interest	Times	5.95	15.47

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

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
06 Dec 2023	Cash Credit	Long Term	20.00	ACUITE BBB+ Stable (Reaffirmed)
07 Sep 2022	Cash Credit	Long Term	20.00	ACUITE BBB+ Positive (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indusind Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE BBB+ Stable Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB+ Stable Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB+ Stable Assigned

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Kay Kay Trading Company	Group Company
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Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Tanvi Kadam Analyst-Rating Operations Tel: 022-49294065 tanvi.kadam@acuite.in	Varsha Bist Senior Manager-Rating Operations 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.

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