

## RATING RATIONALE

18 Sep 2019

### Osaw Agro Industries Private Limited

**Brickwork Ratings reaffirms ratings for the Bank Loan Facilities of ₹ 22.75. Crores of Osaw Agro Industries Private Limited.**

#### Particulars

Facility/ Instrument**	Previous Amount (₹ Cr)	Present Amount (₹ Cr)	Tenure	Previous Rating (July 2018)	Rating*
<b>Fund based</b> Cash Credit O.D.I.P Limit O.D (Against tangible security)	11.00 3.75 5.00	11.00 3.75 5.00	Long Term	BWR BB+ (BWR Double B Plus) Outlook : Stable	BWR BB+ ( BWR Double B Plus) Outlook: Stable Ratings:Reaffirmed
<b>Non Fund Based</b> I.L.G	3.00	3.00	Short Term	BWR A4+ (BWR Single A Four Plus)	BWR A4+ (BWR Single A Four Plus) Ratings: Reaffirmed
<b>Total</b>	<b>22.75</b>	<b>22.75</b>	<b>INR Twenty Two Crores Seventy Five Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Details of Bank facilities/is provided in Annexure-I

#### RATING ACTION/OUTLOOK

BWR has essentially relied upon the Company's audited financial results upto FY18, and Provisional Financials upto FY19 and available information and clarification provided by the Company. The rating of Osaw Agro Industries Private Limited has reaffirmed BWR BB+ (BWR Double B Plus) & BWR A4+ (BWR Single A Four Plus) on account of stagnant scale of operations as the company revenues has remained stagnant from last three FYs.

The ratings however have been assigned with Outlook Stable as the growth in agriculture equipment business remains stable in the long term and the company has also achieved adequate orders in FY20 to improve their scale of operation .



## KEY RATING DRIVERS

### Credit Strengths:

1. **Extensive Experience of the Promoters:** Mr Sanjeev Sagar Managing director has more than 3 decades of experience in the manufacturing of agricultural equipment industry. OAIPL has been in agriculture equipment business since 1984 and has a satisfactory track record. It has a pan India domestic Presence in the market and also exports its products to many countries all over the world.
2. **Moderate Debt Service Indicators :** The company has Moderate Debt Service Indicators with Interest Service Coverage Ratio of 2.00 times and Debt Service Coverage Ratio of 1.58 Times in FY18.
3. **Moderate Profitability Margins :** The company has Moderate Profitability Margins with Net Profit Margins of 1.91% and Operating Profit Margins of 8.65% in FY18 and it has further improved to 2.09% and 9.36% in FY19 (Provisional).

### Credit Risks:

1. **Elongated Conversion Cycle :** The firm has elongated conversion cycle of 122 days in FY18 due to high days payable of 114 days and High days receivables of 121 days in FY18.
2. **Stagnant Scale of Operations :** The company has stagnant scale of operations with revenues of Rs 56.75 crores in FY17 to Rs 59.14 crores in FY18 and it has further decline to Rs 53.95 crores in FY19 (Provisional).

## ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone approach for Osaw Agro Industries Private Limited. BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

## RATING SENSITIVITIES

Going forward, Osaw Agro Industries Private Limited, has to improve its stagnant scale of operations, and Elongated Conversion cycle will be the Key rating sensitivities.



**Positive :** The Rating will be upgraded if the company is able to improve its stagnant scale of revenues and Maintain its Profitability Margins.

**Negative :** The Rating will be downgraded if the company is not able to manage its Inventory level efficiently.

### **LIQUIDITY POSITION : Moderate**

The Firm has nil Associate concerns. Cash & Bank Balances of Rs 0.67 crores in FY18 (Audited). Current ratio was at 1.34 times in FY18 (Audited). Average working capital utilization for the six months period (February 2019 to August 2019) is 97% for limits. The conversion cycle has been 122 days in FY18 (Audited). The Company has long term debt of Rs 8.73 crores with current portion of long term debt of Rs 0.62 crores in FY18. The Company ISCR at 2.00 times and Debt Service Coverage Ratio of 1.58 Times as on March 31, 2018 (Audited).

### **COMPANY PROFILE**

Osaw Agro Industries Private Limited, incepted in 1984 in Ambala, Haryana is the manufacturer of post harvest specialized machines and equipment used in cleaning, grading, processing, handling and storage of seeds, grains, spices, pulses and oil seeds. The Company is currently managed by Mr Sanjeev Sagar and its family. The company has its unit located at Saha, Ambala.

### **Key Financial Indicators**

<b>Key Parameters</b>	<b>Units</b>	<b>FY18 (Audited)</b>	<b>FY17 (Audited)</b>
<b>Result Type</b>			
Operating Revenue	₹ Cr	59.14	56.75
EBITDA	₹ Cr	5.12	5.40
PAT	₹ Cr	1.13	0.83
Tangible Net worth	₹ Cr	16.67	15.54
TOL:TNW	Times	2.41	2.20
Current Ratio	Times	1.34	1.33

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NA**

**NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY : NA**

## RATING HISTORY

Instrument / Facilities	Current Rating			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating (2019)	2018	2017	2016
<b>Fund Based</b> Cash Credit ODIP Limit O.D (Against Tangible Security)	Long Term	11.00 3.75 5.00	<b>BWR BB+</b> ( BWR Double B Plus) Outlook: Stable Reaffirmed	<b>BWR BB+</b> ( BWR Double B Plus) Outlook: Stable Reaffirmed	<b>BWR BB+</b> (BWR Double B Plus) Outlook: Stable	NA
<b>Non Fund Based</b> I.L.G	Short Term	3.00	<b>BWR A4+</b> ( BWR Single A Four Plus) Reaffirmed	<b>BWR A4+</b> ( BWR Single A Four Plus) Reaffirmed	<b>BWR A4+</b> (BWR Single A Four plus)	NA
Total		22.75	INR Twenty Two Crores Seventy Five Lakhs Only			

## COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

Hyperlink/Reference to applicable Criteria

[General Criteria](#)

[Approach to Financial Ratios](#)

[Manufacturing Companies](#)

[Short Term Debt](#)

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**Osaw Agro Industries Private Limited.**

**ANNEXURE I**

**Details of Bank Facilities rated by BWR**

Sl. No.	Name of the Bank	Type of Facilities	Long Term/Short Term (₹ Cr)	Total (₹ Cr)
1	Punjab National Bank	Cash Credit O.D.I.P O.D. (Against Tangible Security)	11.00 3.75 5.00	19.75
2.	Punjab National Bank	I.L.G	3.00	3.00
<b>TOTAL : INR Twenty Two Crores Seventy Five Lakhs Only</b>				<b>22.75</b>



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