

Press Release
PHOENIX OVERSEAS LIMITED
November 26, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	17.25	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	42.75	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	60.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has reaffirmed the long term rating at ‘**ACUITE BBB-**’ (read as **ACUITE triple B minus**) and the short term rating at ‘**ACUITE A3**’ (read as **ACUITE A three**) on the Rs.60.00 Cr bank facilities of Phoenix Overseas Limited (POL). The outlook remains ‘**Stable**’.

Rationale for rating reaffirmation

The rating has been reaffirmed considering POL's stable operating performance along with efficient working capital management. The operating revenue stood at Rs.548.37 Cr in FY2024 as against Rs.450.97 Cr in FY2023. The EBITDA margin stood slightly lower at 2.23 percent in FY2024 as against 2.58 percent in FY2023. Further, the company achieved a revenue of Rs.201.41 Cr till 6MFY25 with operating margin of 1.76 percent and is expected to achieve turnover of Rs.510-520 Cr. in FY2025. The decline in operating margin and operating profit margin in H1FY25 is primarily on account of protests and political turmoil in Bangladesh which led to overall slowdown in the business. The company is having an efficient working capital management marked by improved GCA days, the GCA days stood at 65 days in FY2024 as against 98 days in FY2023. The rating further continues to factor in the longstanding experience of the management and POL's established track record of operations. These strengths are, however, offset by susceptibility of profitability to foreign exchange rate fluctuation coupled with geographical concentration risks.

About the Company

Incorporated in 2002, POL is based in Kolkata and promoted by Mr. Aparesh Nandi and Jayanta Kumar Ghosh. The company is engaged in the trading of food products namely mustard/rapeseed oil cake which is mainly sold to the poultry feed manufacturers. Additionally, the company trades in maize, wheat, soyabean extraction, wheat bran, among others. Alongside the trading activities, POL is engaged in the manufacturing of jute, leather and cotton bags. It also provides cold-storage facilities. The company's warehouse has an installed capacity of 17000 MT and the cold storage facility is located at Malda, West Bengal. POL exports the food products to Bangladesh, while the bags are primarily exported to Europe.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of POL while arriving at the rating.

Key Rating Drivers

Strengths

Experienced Management

POL is promoted by Mr. Aparesh Nandi, Mr. Jayanta Kumar Ghosh and Mr. Uday Narayan Singh, having an

expertise of over a decade in the trading of raw materials for poultry feed manufacturing industry. The experienced management along with the company's long standing operations of over two decades has aided in achieving business divergence. POL has geographic exposure across countries, Bangladesh, France, UAE, U.S.A., to name a few. Out of which, it primarily exports the products to Bangladesh. The company has also achieved segmental bifurcation and trades through various commodities out of which it acquires major share of revenues from Maize, Rapeseed Oil Cake and Soyabean Extraction.

The scale of operations of the company increased to Rs.548.37 Cr in FY2024 as against Rs.450.97 Cr in FY2023 recording a YOY improvement of 22 percent. The surge in revenue level is primarily driven by the increase in the exports of traded goods. Further, the company revenue for H1FY25 stood at Rs.201.14 crores. The decline in operating income in H1FY25 is primarily on account of protests and political turmoil ongoing in Bangladesh which led to overall slowdown in the business. However, the company is expected to revive its operations in H2FY25.

Acuité derives comfort from the diversified operations of the company and believes that, going forward, the expertise of the management will continue to benefit the company in achieving its growth plans.

Efficient working capital management

The working capital management of the company is efficient in nature marked by moderate Gross Current Asset (GCA) days. The GCA days stood at 65 days in FY2024 from 98 days in FY2023. The inventory period also improved and stood at 20 days in FY2024 as against 36 days in FY2023. However, the debtor days increased to 32 days in FY2024 as against 26 days in FY2023. Acuité believes that, going forward, the working capital cycle of the company will remain around similar levels as evident from the efficient collection mechanism and comfortable inventory levels over the medium term.

Moderate financial risk profile

The financial risk profile of the company is marked by the moderate net worth and debt protection metrics along with the low gearing. The tangible net worth of the company increased to Rs.48.13 Cr as on March 31, 2024 from Rs.43.82 Cr as on March 31, 2023 due to accretion of reserves. Gearing of POL stood comfortable at 0.61 times as on March 31, 2024 as against 0.79 times as on March 31, 2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) also declined to 1.69 times as on March 31 2024 as against 2.31 times as on March 31, 2023. The improvement in debt protection metrics is marked by improvement in Interest Coverage Ratio(ICR) which stood at 2.54 times as on March 31, 2024 as against 1.90 times as on March 31 2023 and Debt Service Coverage Ratio at 1.90 times as on March 31 2024 as against 1.43 times as on March 31, 2023. The Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.20 times as on March 31, 2024.

Acuité believes that the financial risk profile of company will improve over the medium term backed by steady accruals and absence of any major debt funded capex plans.

Weaknesses

Thin profitability margins and susceptibility to exchange rate fluctuations

The operating margin of the company marginally declined to 2.23 per cent in FY2024 from 2.58 per cent in FY2023. It stood at 1.76% in H1FY25. The PAT margins stood at 0.98% in FY24 as against 0.82% in FY23. Going forward, the margins are expected to remain range bound given the nature of the business in which the company operates. Profitability also remains exposed to any unfavourable fluctuation in forex rates.

Exposure to geographical concentration risks and forex fluctuations

The company remains exposed to geographical concentration risk as Bangladesh accounts for a major portion of the total revenues. Around 90 per cent of the total operating income from sale of products are derived from exports to customers based out of Bangladesh. Acuité believes that, diversification of the customer base will remain a key rating sensitivity.

Rating Sensitivities

- Improvement in the profitability margins while improving the scale of operations
- Improvement in the capital structure

Liquidity Position

Adequate

The liquidity position of the company is adequate marked by steady net cash accruals of Rs.6.02 Cr in FY2024 as against maturing debt obligation of Rs.1.82 Cr over the same period. The unencumbered cash and bank balance stood at Rs.8.59 Cr as on March 31, 2024. The current ratio stood comfortable at 1.27 times as on March 31,

2024. Acuité believes that the liquidity position of the company is likely to remain adequate over the medium term backed by steady cash accruals.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	548.37	450.97
PAT	Rs. Cr.	5.39	3.72
PAT Margin	(%)	0.98	0.82
Total Debt/Tangible Net Worth	Times	0.61	0.79
PBDIT/Interest	Times	2.54	1.90

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>
- 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
15 Dec 2023	Letter of Credit	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	0.75	ACUITE A3 (Reaffirmed)
	PC/PCFC	Short Term	37.00	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	6.80	ACUITE BBB- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	1.45	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	9.00	ACUITE BBB- Stable (Reaffirmed)
26 Sep 2022	Letter of Credit	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	0.75	ACUITE A3 (Reaffirmed)
	PC/PCFC	Short Term	36.00	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	8.30	ACUITE BBB- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.95	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	9.00	ACUITE BBB- Stable (Reaffirmed)
02 Jul 2021	PC/PCFC	Short Term	24.85	ACUITE A3 (Upgraded from ACUITE A4+)
	Letter of Credit	Short Term	3.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Bank Guarantee (BLR)	Short Term	1.05	ACUITE A3 (Upgraded from ACUITE A4+)
	Term Loan	Long Term	0.84	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Proposed Long Term Bank Facility	Long Term	30.26	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Bank of India	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.75	Simple	ACUITE A3 Reaffirmed
Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	9.00	Simple	ACUITE BBB- Stable Reaffirmed
Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE A3 Reaffirmed
Bank of India	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	37.00	Simple	ACUITE A3 Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.45	Simple	ACUITE BBB- Stable Reaffirmed
Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.80	Simple	ACUITE BBB- Stable Reaffirmed

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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