

Rating Advisory

February 20, 2023 | Mumbai

Oswal Minerals Limited

Update as on February 20, 2023

This rating advisory is provided in relation to the rating of Oswal Minerals Limited

The key rating sensitivity factors for the rating include:

Upward factors:

- Sustained revenue and improved operating margin, leading to substantial increase in cash accrual above Rs 10 crores
- Improvement in capital structure and return on capital employed

Downward factors:

- Decline in revenue or operating margin declining leading to cash accruals below Rs 8 crores
- Increase in working capital requirement, weakening the financial risk profile, particularly gearing and liquidity

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL Ratings is yet to receive adequate information from Oswal Minerals Limited (OML) to enable it to undertake a rating review. CRISIL Ratings is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL Ratings views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings' criteria available at the following link, https://www.crisil.com/content/dam/crisil/criteria_methodology/basics-of-ratings/assessing-information-adequacy-risk.pdf)

If OML continues to delay the provisioning of information required by CRISIL Ratings to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016, SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 and **SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt January 3, 2020** issued by Securities and Exchange Board of India, CRISIL Ratings will carry out the review based on best available information and issue a press release.

About the Company

OML, which was set up in 1996, trades in various ferro alloys, ore and other minerals. Operations are managed by Mr Sripal Kumar Jain, Mr Mohanlal Bharath Kumar Jain and Mr Subash Chand Mohanlal Jain.

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Rating Rationale

February 25, 2022 | Mumbai

Oswal Minerals Limited

Ratings Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.147 Crore
Long Term Rating	CRISIL BBB-/Stable (Reaffirmed)
Short Term Rating	CRISIL A3 (Reaffirmed)

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL BBB-/Stable/CRISIL A3' ratings on the bank facilities of Oswal Minerals Limited (OML).

CRISIL Ratings on the bank facilities of Oswal Minerals Limited (OML) continues to reflect on the company's established market position in the ferro alloy segment, its diversified product profile, and moderate financial risk profile. These strengths are offset by the large working capital requirement, and exposure to risks from volatility in material prices and segmental concentration.

Analytical Approach

CRISIL Ratings has treated 75% of unsecured loans extended by promoters (Rs 263.26 crore) as quasi-equity, and the balance 25% as debt, as these are subordinated to external debt, and expected to remain in business for the next five years.

Key Rating Drivers & Detailed Description

Strengths:

Established market position in the ferro alloy segment and diversified product portfolio: OML has garnered sizeable market share in the ferro alloy segment and built an established clientele. Revenue has recorded a compound annual growth rate of about 23% over fiscals 2018 to 2021, and will continue to be aided by better realisations, and expansion in clientele and geographical reach. The four-decade-long experience of the promoters, in the ferro alloy industry and their understanding of market dynamics, will continue to support the business risk profile. The company trades in over 100 steel product varieties, including ores, minerals and alloys, and caters to demand from the domestic and export markets.

Moderate financial risk profile: Financial risk profile is marked by a comfortable capital structure and moderate debt protection metrics. Gearing stood at 0.40 time as on March 31, 2021, supported by a healthy networth of Rs 232.92 crore. Interest coverage ratio has been stable around 1.85 times as on March 31, 2021. Significant portion of debt representing unsecured loans from directors, also lends comfort to the financial risk profile.

Weaknesses:

Exposure to risks arising from volatility in raw material prices and segmental concentration: Ore and alloy prices are highly volatile and driven by global factors. Any sharp price fluctuations could adversely impact OML's business and financial risk profiles. Furthermore, ferro alloy players are highly dependent on growth prospects of the steel industry, and hence, OML remains exposed to cyclicalities in the steel industry.

Moderate working capital requirement: Working capital requirement is moderate, marked by gross current assets of 190 days as on March 31, 2021. OML offers credit of 50 to 100 days to its customers and holds moderate inventory. Credit of about 125 days, provided by suppliers, partly eases pressure on working capital management.

Liquidity: Adequate

Bank limit utilisation is low at around 16 percent for the past twelve months ended January 2022. Cash accruals are expected to be over Rs 9-10 crore which are sufficient against no term debt obligation over the medium term. In addition, it will be act as cushion to the liquidity of the company.

Current ratio are moderate at 1.36 times on March31,2021. The promoters are likely to extend support in the form of equity and unsecured loans to meet its working capital requirements and repayment obligations. Low gearing and moderate net worth support it's financial flexibility and provides the financial cushion available in case of any adverse conditions or downturn in the business.

Outlook: Stable

CRISIL Ratings believes OML will continue to benefit from its established market position in the ferro alloy industry, and extensive experience of its promoters.

Rating Sensitivity Factors

Upward factors:

- Sustained revenue an improved operating margin, leading to substantial increase in cash accrual above Rs 10 crores
- Improvement in capital structure and return on capital employed

Downward factors:

- Decline in revenue or operating margin declining leading to cash accruals below Rs 8 crores
- Increase in working capital requirement, weakening the financial risk profile, particularly gearing and liquidity

About the Company

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Key Financial Indicators

As on / for the period ended March 31		2021	2020
Operating income	Rs crore	1,682.68	1,626.20
Reported profit after tax	Rs crore	5.84	1.16
PAT margins	%	0.34	0.07
Adjusted Debt/Adjusted Net worth	Times	0.40	0.50
Interest coverage	Times	1.85	1.14

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs Cr)	Complexity level	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	72	NA	CRISIL BBB-/Stable
NA	Letter of Credit	NA	NA	NA	55	NA	CRISIL A3
NA	Proposed Working Capital Facility	NA	NA	NA	20	NA	CRISIL BBB-/Stable

Annexure - Rating History for last 3 Years

Instrument	Current			2022 (History)		2021		2020		2019		Start of 2019
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	92.0	CRISIL BBB-/Stable		--		--	11-11-20	CRISIL BBB-/Stable	01-10-19	CRISIL BBB-/Stable	CRISIL BBB-/Stable
			--		--		--		--	09-09-19	CRISIL BBB-/Stable	--
			--		--		--		--	30-08-19	CRISIL BBB-/Stable	--

Non-Fund Based Facilities	ST	55.0	CRISIL A3	--	--	11-11-20	CRISIL A3	01-10-19	CRISIL A3	CRISIL A3
			--	--	--		--	09-09-19	CRISIL A3	--
			--	--	--		--	30-08-19	CRISIL A3	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Rating
Cash Credit	30	CRISIL BBB-/Stable
Cash Credit	10	CRISIL BBB-/Stable
Cash Credit	32	CRISIL BBB-/Stable
Letter of Credit	10	CRISIL A3
Letter of Credit	15	CRISIL A3
Letter of Credit	10	CRISIL A3
Letter of Credit	20	CRISIL A3
Proposed Working Capital Facility	20	CRISIL BBB-/Stable

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
CRISILs Bank Loan Ratings - process, scale and default recognition
Criteria for rating trading companies
Understanding CRISILs Ratings and Rating Scales

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