

Rating Advisory

March 31, 2020 | Mumbai

Ovobel Foods Limited

Advisory as on March 31, 2020

This rating advisory is provided in relation to the rating of Ovobel Foods Limited

The key rating sensitivity factors for the rating include:

- Scale and Profitability of Operations
- Working Capital Management

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 is yet to receive adequate information from Ovobel Foods Limited (OFL) to enable it to undertake a rating review. CRISIL 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 views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

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

About the Company

Promoted in 1993 by Mr Vishan Swarup Aggarwal and Mr Shanti Swarup Aggarwal, OFL manufactures egg powder and processes frozen eggs.

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Rating Rationale

February 04, 2019 | Mumbai

Ovobel Foods Limited

Rating migrated to 'CRISIL A4'

Rating Action

Total Bank Loan Facilities Rated	Rs.9.7 Crore
Short Term Rating	CRISIL A4 (Migrated from 'CRISIL A4 ISSUER NOT COOPERATING**')

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

*Issuer did not cooperate; based on best-available information

Detailed Rationale

Due to inadequate information, CRISIL, in line with Securities and Exchange Board of India guidelines, had migrated the rating on the short-term bank facility Ovobel Foods Limited (OFL) to 'CRISIL A4 Issuer not cooperating'. However, management has subsequently started sharing information necessary for carrying out comprehensive review of the rating. Consequently, CRISIL is migrating the rating on the company's short-term facility from 'CRISIL A4 Issuer not cooperating' to '**CRISIL A4**'.

The rating reflects an established market position in the egg powder business and established relationship with customers and suppliers. These strengths are partially offset by an average financial risk profile, and susceptibility of the operating margin to volatility in raw material prices and foreign exchange (forex) rates.

Key Rating Drivers & Detailed Description

Strengths:

* Established market position and an established relationship with customers and suppliers:

The company is one of the few egg powder and frozen egg manufacturers in India. It predominantly caters to international customers in Southeast Asia. The company has also established a sound base of suppliers and procures eggs daily from poultry farms in Karnataka. The long association with these farms enables negotiation for extended credit periods, which has aided in easing the pressure on liquidity.

Weakness:

* Weak financial risk profile:

The company incurred an operating loss in fiscal 2018, which led to negative operating margins and a weak interest coverage ratio. The operating margin continues to remain modest in fiscal 2019, due to which interest coverage ratio is expected to remain weak. Capital structure is moderate marked by adequate networth and comfortable gearing.

* Susceptibility of the operating margin to volatility in raw material prices and forex rates:

The main raw material is eggs, which are procured from poultry farms in Karnataka. Revenue is almost entirely derived from exports to Southeast Asian countries. Egg prices and forex rates are highly volatile in nature. The company's operating margins are expected to remain susceptible to volatility in egg prices and forex rates.

Liquidity

OFL has adequate liquidity driven by expected cash accruals of more than Rs.1.5 crore per annum in FY19 and FY20 and cash and cash equivalents of Rs.6.5 crores as on March 31, 2018. OFL also has access to fund based limits of Rs.11 crores, utilized to the tune of 90% on an average over the 12 months ended December 2018. The company does not have long term repayment obligations and no capex plans.

About the Company

Promoted in 1993 by Mr Vishan Swarup Aggarwal and Mr Shanti Swarup Aggarwal, OFL manufactures egg powder and processes frozen eggs.

Key Financial Indicators

Particulars	Unit	2018	2017
Revenue	Rs crore	87.69	78.28
Profit after tax (PAT)	Rs crore	4.51	(3.77)
PAT margin	%	5.1	(4.8)
Adjusted debt/Adjusted networth	Times	0.82	1.26
Interest coverage	Times	(3.17)	(1.11)

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 Crore)	Rating assigned with outlook
NA	Foreign Bill Discounting	NA	NA	NA	7.7	CRISIL A4
NA	Packing Credit	NA	NA	NA	2	CRISIL A4

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2019 (History)		2018		2017		2016		Start of 2016
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	9.70	CRISIL A4			05-11-18	CRISIL A4 (Issuer Not Cooperating)*	30-11-17	CRISIL A4	29-08-16	CRISIL A4	CRISIL A4

All amounts are in Rs.Cr.

*Issuer did not cooperate; based on best-available information

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Foreign Bill Discounting	7.7	CRISIL A4	Foreign Bill Discounting	8	CRISIL A4/Issuer Not Cooperating
Packing Credit	2	CRISIL A4	Packing Credit	1.7	CRISIL A4/Issuer Not Cooperating
Total	9.7	--	Total	9.7	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Framework for Assessing Information Adequacy Risk](#)

[Rating criteria for manufacturing and service sector companies](#)

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