Ref.OML:AUG:2024-25 **DATED: 30.08.2024**

Listing Department,
Metropolitan Stock Exchange of India Limited
205(A), 2nd floor, Piramal Agastya Corporate Park,
Kamani Junction, LBS Road, Kurla (West),
Mumbai – 400 070, Maharashtra, India
MSEIL Scrip ID: OSWALMIN

Sub: Intimation of Revision in Credit Rating under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Dear Sir/Madam,

Pursuant to Regulation 30 read with Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), we hereby inform you that M/s. CARE Ratings Limited, a credit rating agency, has revised the credit ratings on banking facilities of the Company. In this regard, please find below the ratings for debt instruments/ facilities of the Company as on date:

Facilities/Instruments	Amount (Rs. in crores)	Rating1	Rating Action
Long-term bank facilities	7.00 (Reduced from 10.46)	CARE BB+; Stable	Revised from CARE BBB-; Stable
Long-term / Short-term bank Facilities	100.00	CARE BB+; Stable / CARE A4+	Revised from CARE BBB-; Stable / CARE A3

This is for your information and record.

Thanking you,
Yours faithfully,
For OSWAL MINERALS LIMITED

MILAN MAROTI
Digitally signed by MILAN MAROTI
Date: 2024.08.30 18:35:36 +05'30'

MILAN MAROTI
COMPANY SECRETARY
MEM: 49355

Encl:a/a

Oswal Minerals Limited

August 30, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	7.00 (Reduced from 10.46)	CARE BB+; Stable	Revised from CARE BBB-; Stable
Long-term / Short-term bank facilities	100.00	CARE BB+; Stable / CARE A4+	Revised from CARE BBB-; Stable / CARE A3

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in ratings assigned to bank facilities of Oswal Minerals Limited (OML) factors in sizeable increase in receivables that are overdue for over six months. Such receivables form more than 60% of OML's total receivables as on June 30, 2024, and is ~2.5x of the company's net worth. Timely collection of these receivables is important from credit perspective and would be closely monitored. Ratings also factors in moderation in scale of operations and profitability in FY24 due to fall in commodity prices and relatively high inventory levels maintained by OML. Ratings are further constrained by the company's prospects being linked to the steel sector, which is inherently cyclical and absence of a formal hedging mechanism, exposing OML's realisations and margins to commodity price and forex fluctuation risks.

These rating weaknesses are partially offset by experienced and resourceful promoters, who apart from infusing unsecured loans of ₹75 crore in FY24, have also arranged letter of credit (LC) limits for the company by pledging fixed deposits (FDs) in their individual capacities. Ratings also derive strength from OML's established market position in the ferroalloy segment, especially in South India, with a fairly diversified product base and a reputed clientele.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improving scale of operations above ₹3,500 crore with interest coverage ratio (ICR) less than 3x and sizeable collection of receivables of over six months on a sustainable basis.

Negative factors

- Total operating liabilities to total net worth (TOL/TNW) of over 5x or ICR less than 1.5x.
- More-than-envisaged delay in receipt of receivables.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that OML's business risk profile will remain stable, aided by long track record of promoters in the ferroalloy trading business.

Detailed description of key rating drivers:

Key weaknesses

Moderating scale of operations and profitability margins

OML experienced a significant operational decline in FY24, with a 36% reduction in sales to ₹1899 crore from 2997 crore in FY23. This moderation was majorly considering dip in volume traded in manganese ore and primary nickel due to lower off-take from major customers. Correction in steel prices in domestic and international markets, fluctuating nickel prices from the last few months and price corrections in manganese ore resulted in profit before interest, lease rentals, depreciation, and taxation (PBILDT) loss of ₹42.72 crore in the year.

In Q1FY25, the company saw a 32% quarter-over-quarter sales increase to approximately ₹537 crore, driven by improved demand and recovery in key material prices, resulting in a PBILDT of ₹45.35 crore, effectively offsetting previous losses. With recovery in business profile, CARE Ratings expects company's turnover to growth by 30% in FY25, while maintaining profitable operations.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Large receivable balance older than six months and elongating operating cycle
In FY24, the company's operating cycle extended to 84 days from 46 days in FY23, due to a significant increase in collection period to 162 days from 90 days in FY23. Of the total receivables, more than 60% of receivables are older than six months. The company usually maintains high inventory levels of about two months to meet customers' immediate material needs. While OML generally supplies on an advance payment basis, collection period for sales to foundries and steel manufacturing units is around 90 days. Some related suppliers offer credit period of 30-60 days to the company. CARE Ratings would continue to monitor the progress of recoverability for these receivables.

Realisations and margins exposed to commodity price and foreign exchange fluctuations
OML is exposed to commodity price fluctuations, but manages it by creating cost sheets and setting margins on receiving client orders. Market conditions also influence margins, and the company cannot fully pass on price fluctuation risks to customers, impacting profitability. OML is vulnerable to foreign exchange volatility, as 80-90% of its purchases are imports. Sales are distributed across India and some international markets, with exports making up 10-13% of total sales from FY22 to FY24. The company's margins are highly susceptible to foreign currency fluctuations due to lack of an active hedging policy. In FY24, OML incurred net losses of ₹6.10 crore from foreign currency fluctuations, down from ₹68.5 crore in FY23.

Presence in a highly competitive and cyclical industry
Demand for OML's products is derived from demand emanating from the steel industry, which is a major purchaser of ferroalloys. The steel industry is highly competitive due to presence of organised and unorganised players and limited product diversity due to commodity nature of products. Over the years, the industry has become more organised, with the share of unorganised players reducing, but margins continuing to be impacted due to fragmentation of the industry. The steel industry is sensitive to shifting business cycles, including changes in general economy, interest rates, and seasonal changes in demand and supply conditions in the market.

Key strengths

Experienced and resourceful promoters supported by experienced directors
Promoters have over four decades of experience in trading metals and ferroalloy minerals. The company is currently managed by Sripal Kumar Mohanlal, Mohanlal Bharath Kumar Jain, and Subhashchand Mohanlal. The company has over three decades of experience in a similar line of business. It has also received funding support from promoters as equity and unsecured loans. Directors and promoters have infused unsecured loans of ~₹317 crore, of which, ₹150 crore is subordinated to the bank. Apart from infusing unsecured loans, promoters have also arranged LC limits for the company by pledging FDs in their individual capacities. CARE Ratings expects long-standing experience of promoters in the business to help the company mitigate its short-term disruptions.

Established market position in the ferroalloy segment with a diversified product base
OML has garnered a sizeable market share in the ferroalloy segment and has built an established clientele. The four-decade-long experience of promoters in the ferroalloy industry and their understanding of market dynamics will continue to support the company's business risk profile. OML trades in over 100 steel product varieties, including ores, minerals, and alloys and caters to demand from domestic and export markets. However, top five products, mainly manganese ore, ferrosilicon manganese, primary nickel, low carbon ferrochrome, and roasted molybdenum ore concentrates contribute to ~70-80% of the company's total sales.

Liquidity: Stretched

The company's liquidity is supported by the strong support received from its promoters in the form of unsecured loans. The company's cash credit (CC) utilisation levels are ~80% with nearly full utilisation of the non fund-based limits.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Short Term Instruments
Wholesale Trading

About the company and industry

Industry classification

Macro-economic indicator	Sector	Industry	Basic industry
Services	Services	Commercial services & supplies	Trading & distributors

OML was setup in 1996 and is engaged in domestic and international trading ferroalloys including silicomanganese and ferromanganese and other minerals such as manganese and nickel, among others. The company has 10 branches across the country. It is currently managed by Sripal Kumar Mohanlal, Mohanlal Bharath Kumar Jain, and Subhashchand Mohanlal.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	June 30, 2024 (UA)
Total operating income	2,996.92	1,898.85	536.52
PBILDT	47.89	-42.72	47.78
PAT	26.54	-54.76	45.35
Overall gearing (times)	0.86	1.30	N/A
Interest coverage (times)	2.91	NM	N/A

A: Audited; UA: Unaudited; NM: Not Meaningful; N/A: Not Available Note: these are latest available financial results.

Status of non-cooperation with previous CRA: Nil

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	February 2026	7.00	CARE BB+; Stable
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	-	-	-	-	100.00	CARE BB+; Stable / CARE A4+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	7.00	CARE BB+; Stable	-	1)CARE BBB-; Stable (01-Sep-23)	1)CARE BBB; Stable (02-Aug-22)	-
2	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	100.00	CARE BB+; Stable / CARE A4+	-	1)CARE BBB-; Stable / CARE A3 (01-Sep-23)	1)CARE BBB; Stable / CARE A3+ (02-Aug-22)	-

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For the detailed Rationale Report and subscription information, please visit www.careedge.in