

March 31, 2023

## Oswal Woollen Mills Limited: Change in Limits

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-Based Cash Credit	350.00	350.00	[ICRA]A (Stable); outstanding
Long-term Fund-Based Term Loans	147.67	99.27	[ICRA]A (Stable); outstanding
Long-term Non-Fund-Based	(15.02)	(14.00)	[ICRA]A (Stable); outstanding
Long-term Unallocated	22.33	45.73	[ICRA]A (Stable); outstanding
Short-term Non-Fund-Based	130.00	130.00	[ICRA]A2+; outstanding
Commercial Paper	50.00	50.00	[ICRA]A2+; outstanding
<b>Total</b>	<b>700.00</b>	<b>675.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

This rationale is being released to convey the change in the rated limits as depicted in the table above, based on the latest information received from the entity.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities: [Click here](#)

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for entities in the Textile Industry-Spinning</a> <a href="#">Rating Methodology for entities in the Textile Industry-Fabric Making</a>
Parent/Group support	Group: Nahar Group The ratings assigned to OWM factors in the high likelihood of its promoters/ promoter group, extending financial support to it, out of the need to protect their reputation from the consequences of a Group entity's distress. There also exists a consistent track record of the promoter group having extended timely financial support to OWM to maintain comfortable liquidity, whenever a need arose.
Consolidation/Standalone	The ratings are based on the standalone financial profile of the company.

### About the company

Incorporated in 1949, OWM manufactures worsted woollen yarn, cotton yarn and denim fabric. The company's manufacturing units in Ludhiana (Punjab), Lalru (near Chandigarh) and Bhopal (Madhya Pradesh) have a combined capacity of ~42,308 spindles for worsted woollen spinning, ~64,488 spindles and 1,824 rotors for cotton spinning and ~396 looms for weaving denim fabric. Besides, the company has presence in the renewable power space (13.2 MW of wind energy projects across states), and the real estate segment. It owns a commercial property in Gurgaon (Haryana), which provides regular rental

income. Previously, the company had a land parcel in Chennai, which was monetised over the years through a joint development agreement (JDA) with a Chennai-based real estate developer.

OWM is a part of the Ludhiana-based Nahar Group, which was incorporated by Mr. Vidya Sagar Oswal, father of Mr. Jawahar Lal Oswal, the present Chairman and Managing Director of the company. The other companies in the Nahar Group include MCFL, NIEL, Nahar Spinning Mills Limited and Nahar Capital and Financial Services Limited.

#### Key financial indicators

OWM	FY2021	FY2022
Operating income	869.5	1400.5
PAT	(54.7)	67.3
OPBDIT/OI	4.6%	9.8%
PAT/OI	(6.3%)	4.8%
Total outside liabilities/Tangible net worth (times)	1.3	1.2
Total debt/OPBDIT (times)	10.7	3.5
Interest coverage (times)	1.0	4.0

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

#### Status of non-cooperation with previous CRA: Not applicable

#### Any other information: None

#### Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Current rating (FY2023)		Chronology of rating history for the past 3 years				
			Amount outstanding as of Feb 28, 2023 (Rs. crore)	Date & rating in FY2023		Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2021	
				31-Mar-23	09-Jun-22			14-Feb-20	31-Jul-19
1 Cash Credit	Long-term	350.00	-	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Negative)	[ICRA]A (Negative)	[ICRA]A+ (Negative)
2 Term Loan	Long-term	99.27	99.27	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Negative)	[ICRA]A (Negative)	[ICRA]A+ (Negative)
3 Bank Guarantee	Long-term	(14.00)	-	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Negative)	[ICRA]A (Negative)	[ICRA]A+ (Negative)
4 Unallocated	Long-term	45.73	-	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Negative)	[ICRA]A (Negative)	[ICRA]A+ (Negative)
5 Letter of Credit	Short-term	130.00	-	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	[ICRA]A1	[ICRA]A1+
6 Letter of Credit/Packing Credit*	Short-term	-	-	-	-	[ICRA]A2+	[ICRA]A2+	[ICRA]A1	[ICRA]A1+
7 Letter of credit/Bank Guarantee*	Long-term/Short-term	-	-	-	-	[ICRA]A- (Stable)/[ICRA]A2+	[ICRA]A- (Negative)/[ICRA]A2+	[ICRA]A (Negative)/[ICRA]A1	[ICRA]A+ (Negative)/[ICRA]A1+
8 Commercial Paper (CP)	Short-term	50.00	-	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	[ICRA]A1	[ICRA]A1+

\*Interchangeable; \*\*Sub Limit of Cash Credit.

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-Based Cash Credit	Simple
Long-term Fund-Based Term Loans	Simple
Long-term Non-Fund-Based	Very Simple
Long-term Unallocated	Not Applicable
Short-term Non-Fund-Based	Very Simple
Commercial Paper	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

#### Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	NA	NA	NA	350.00	[ICRA]A(Stable)
NA	Term Loan	FY2012	NA	FY2030	99.27	[ICRA]A(Stable)
NA	Bank Guarantee*	NA	NA	NA	(14.00)	[ICRA]A(Stable)
NA	Unallocated	NA	NA	NA	45.73	[ICRA]A(Stable)
NA	Letter of Credit	NA	NA	NA	130.00	[ICRA]A2+
Not issued	Commercial Paper (CP)	NA	NA	NA	50.00	[ICRA]A2+

Source: Company \*Sublimit of Cash Credit

[Please click here to view details of lender-wise facilities rated by ICRA](#)

#### Annexure II: List of entities considered for consolidated analysis – Not Applicable

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