November 03, 2020

Onward Technologies Limited - Update on Material Event

Summary of Rated Instrument:

Instrument	Rated Amount (Rs. crore)	Rating Outstanding
Fund based – working capital facilities	13.75	[ICRA]BBB-(Stable)
Long term – fund based / non fund based facilities	1.00	[ICRA]BBB-(Stable)
Short term – non fund based facilities	1.00	[ICRA]A3
Total	**15.75**	

Material Event

Onward Technologies Limited (OTL or the company) has announced its quarterly results for Q2FY2021 on October 23, 2020. In the press release, the company has mentioned that during Q2FY2021, it has received an intimation about a legal suite filed by the lessor of an office premises taken on lease by the Group. The legal suite has been filed by the lessor in response to the termination notice sent by the company invoking the relevant provisions of the agreement. The lessor has demanded total compensation amounting to Rs. 7.97 crore, which mainly includes the rent for the non-cancellable lease period.

Impact of the Material Event

The ratings remain unchanged at the earlier rating of [ICRA]BBB-(Stable)/[ICRA]A3. As per the discussion with the management, based on legal opinion obtained by the company, the management does not expect any material liability arising from the litigation. Furthermore, the accrual and liquidity position of the company remain comfortable, providing adequate cushion in this regard, given that the company had Rs. 34.85 crore of cash and equivalent balance at consolidated level as on September 30, 2020. ICRA, however, will continue to monitor developments in this regard and would evaluate the impact of the same on the business profile of OTL.

The previous detailed rating rationale is available on the following link: Click here

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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