

Oberoi Thermit Private Limited (OTPL)

*Rating
Rationale*

October 28, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	2.50	SMERA BB/Stable (Assigned)
Bank Guarantee	4.50	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB**' (read as SMERA double B) and '**SMERA A4+**' (read as SMERA A four plus) to the Rs.7.00 crore bank facilities of Oberoi Thermit Private Limited (OTPL). The outlook is '**Stable**'. The ratings are supported by the healthy revenue growth registered by the company. The ratings are also supported by the company's experienced management, strong financial profile, healthy order book, diversified offerings and strong market position. However, the ratings are constrained by the company's small-scale operations. The ratings are also constrained by the company's exposure to customer concentration risk.

OTPL, incorporated in 1995, is an ISO 9001:2000 certified company based in the National Capital Region (NCR). OTPL provides railway infrastructure maintenance services. The company also manufactures various tools and equipment used in maintenance of railway infrastructure. OTPL's revenues have grown at a healthy compound annual growth rate (CAGR) of 25 per cent during the past four years. The company benefits from its experienced management. Mr. Anil Oberoi, managing director of OTPL, has around three decades of experience in the company's line of business. OTPL has a strong financial profile. The company's operating profit margins have ranged between 10-12 per cent during the past three years. OTPL is entitled to income tax exemption from the Uttarakhand Government. The company has thus reported healthy net profit margins (in the range of 5-6 per cent) during the past three years.

OTPL's gearing (debt-equity ratio) is comfortable at 0.70 times (provisional) as on March 31, 2014. The company has strong coverage indicators reflected in interest coverage ratio of 6.00 times (provisional), debt service coverage ratio (DSCR) of 2.74 times (provisional) and net cash accruals to total debt ratio of 0.38 times (provisional) in FY2013-14. SMERA draws comfort from OTPL's healthy order book and diversified offerings. OTPL is one of the four major alumino thermit (AT) welding vendors in India approved by the Research Designs and Standard Organization (RDSO).

Notwithstanding healthy growth in revenues during the last four years, OTPL has small-scale operations with revenues of Rs.14.15 crore (provisional) in FY2013-14. The company is exposed to customer concentration risk arising from high dependence on orders received from the Indian Railways.

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Outlook: Stable

SMERA believes OTPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers substantial growth in scale of operations. Conversely, the outlook may be revised to 'Negative' in case of stretch in the company's working capital cycle.

About the company

OTPL is an ISO 9001:2000 certified company engaged in providing railway infrastructure maintenance services. OTPL also manufactures various tools and equipment used in maintenance of railway infrastructure. The company has three manufacturing units, one in Noida and two in Haridwar.

For FY2013-14, OTPL reported profit after tax (PAT) of Rs.0.88 crore (provisional) on operating income of Rs.14.15 crore (provisional), as compared with PAT of Rs.0.77 crore on operating income of Rs.12.13 crore in FY2012-13. The company's net worth stood at Rs.4.04 crore (provisional) as on March 31, 2014, as compared with Rs.3.16 crore a year earlier.

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