

November 20, 2014

Facility	Amount (Rs. Crore)	Rating
Term Loan	27.00	SMERA B/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA B (read as SMERA single B)**' to the Rs.27.00 crore bank facility of Opus Industries Private Limited (OIPL). The outlook is '**Stable**'. The rating notes that the company has no track record of operations in the business of manufacturing autoclaved aerated concrete (AAC) blocks. The rating also notes that the company's promoters lack experience in the construction materials industry. The rating is constrained by the company's exposure to intense competition arising from low entry barriers in the business of manufacturing AAC blocks. However, the rating draws comfort from the expected revival in demand for construction materials in the Hyderabad region. The rating also draws comfort from the location advantages available to the company. The rating favourably considers the timely execution of project by the company.

OIPL, incorporated in 2012, is an Andhra Pradesh-based company established to undertake the business of manufacturing AAC blocks. OIPL has recently set up a factory unit with installed capacity of 1,50,000 cubic meters (cum) in Nalgonda district of Andhra Pradesh. The company expects to commence commercial operations in October 2014. OIPL is yet to demonstrate performance track record in manufacturing AAC blocks. The company's promoters have no prior experience in the construction materials industry. OIPL is exposed to intense competition arising from low entry barriers in the business of manufacturing AAC blocks.

OIPL's rating is supported by the expected revival in real estate and infrastructure development in the Hyderabad region, following the formation of Telangana. OIPL's manufacturing unit is strategically located near the border of the two states which enables the company to meet demand from both the regions. The company's unit is also in proximity to raw material sourcing units.

OIPL has executed the project according to the scheduled timelines. The company has commenced commercial production from October 2014.

Outlook: Stable

SMERA believes the outlook on OIPL's rated facilities will remain stable over the medium term. The company will benefit from the expected revival in demand for construction materials in the Hyderabad region. The outlook may be revised to 'Positive' in case the company achieves higher-than-expected growth in revenue and profitability. The outlook may be revised to 'Negative' in case of deterioration in company's financial or business profile.

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About the company

OIPL, incorporated in 2012, is an Andhra Pradesh-based company promoted by Mr. Raghuram Vupputuri and Mrs. Amulya Vupputuri. OIPL is established to undertake the business of manufacturing AAC blocks. The company has recently set up a factory unit with installed capacity of 1,50,000 cubic meters in Nalgonda district of Andhra Pradesh. The total project cost is Rs.40.98 crore, which is funded through term loan of Rs.27.00 crore and promoters' funds of ~Rs.14.00 crore. OIPL has started commercial operations in October 2014.

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