



SMERA RATINGS LIMITED

OmSai Udyog India Private Limited (OUIPL)

*Rating
Rationale*

June 22, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	4.00	SMERA BB-/Stable (Assigned)
Bank Guarantee	2.00	SMERA A4 (Assigned)
Foreign Letter of Credit/Inland Letter of Credit	1.00	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA BB-**' (read as **SMERA double B minus**) and '**SMERA A4**' (read as **SMERA A four**) to the Rs.7.00 crore bank facilities of OmSai Udyog India Private Limited (OUIPL). The outlook is '**Stable**'. The ratings derive support from the company's healthy order book position and financial risk profile. However, the rating remains constrained by the company's nascent stage of operations, stretched working capital cycle and customer concentration risk.

OUIPL, incorporated in 2010, is a Delhi-based company engaged in the manufacture of traction wires and copper conductors. The company commenced operations in December 2013 and has a healthy order book of Rs.38.59 crore as on April 2015. OUIPL registered revenues of Rs.27.05 crore in FY2014-15 (provisional) in its first full year of operations.

The company has a healthy financial risk profile marked by low gearing of 0.32 times as on March 31, 2015 and interest coverage ratio of 4.38 times for FY2014-15. The total debt of Rs.4.88 crore mainly comprises working capital facilities to the tune of Rs.4.41 crore as on March 31, 2015.

Since OUIPL's operations are at a nascent stage, depreciation costs are high resulting in a thin net profit margin. The company's operations are working capital intensive due to high collection days of around 120 days and limited credit period received from suppliers. Average utilization of working capital facilities was 78.08 per cent during the six months ended March 2015. The company also avails adhoc facilities to meet working capital requirements.

OUIPL majorly caters to the Indian Railways with around 43 per cent sales in FY2014-15 and hence is exposed to customer concentration risk. Further, around 55 per cent of the company's current order book has tender based orders from the railways with a price escalation clause that safeguards the company from adverse movements in copper prices. Additionally, the company also caters to reputed clients in the private sector namely L&T and KEC International.

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Outlook: Stable

SMERA believes OUIPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from the financial support extended by its management. The outlook may be revised to 'Positive' in case the company registers strong growth in its scale of operations while achieving improvement in profitability. The outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

About the Company

OUIPL, incorporated in 2010, is a Delhi-based company engaged in the manufacture of railway traction wires and copper conductors. The company has a manufacturing unit in Sonipat, Haryana with an annual production capacity of 3,080 mt of 107 sq. mm contact wires, 3,080 mt of 150 sq. mm contact wires and 1,100 MT of 65 sq. mm catenary wires. The company is promoted by Mr. Archit Sharma and Mr. Ankit Sharma, Directors, with around four years of industry experience. OUIPL is ISO 9001:2008 certified.

For FY2014-15 (provisional), OUIPL reported profit after tax (PAT) of Rs.0.05 crore on operating income of Rs.27.05 crore, as compared with net loss of Rs.0.40 crore on operating income of Rs.5.03 crore in FY2013-14. The company's net worth stood at Rs.15.29 crore as on March 31, 2015, as compared with Rs.12.54 crore a year earlier.

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