

September 07, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	1.00	SMERA BB-/Stable (Assigned)
Term Loan	5.00	SMERA BB-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BB-**' (read as SMERA double B minus) to the Rs.6.00 crore long-term (fund based) bank facility of Oasis Enterprises Private Limited (OEPL). The outlook is '**Stable**'. The ratings of the company are constrained by the decline in revenues, low profitability mainly supported by other income. Further, the ratings are constrained, due to the highly competitive and fragmented nature of industry and exposure to volatility in raw material prices. The aforementioned weaknesses are partially offset by the company's experienced management, low leverage and healthy relations with customers and suppliers.

Outlook: Stable

SMERA believes OEPL will maintain a stable business risk profile over the medium term on account of its established operations and experienced management. The outlook may be revised to 'Positive' in case of improvement in profitability without stretching its working capital cycle or improvement in the capital structure. Conversely, the outlook may be revised to 'Negative' in case of lengthening of working capital cycle or with any large debt funded capital expenditure taking place.

Rating Sensitivity Factors

- Profitability level
- Volatility in raw material prices
- Debt funded capital expansion

About the Company

OEPL, a Punjab-based company is engaged in the manufacture of steel ingots, billets, bloom and hot rolled (HR) coils at its manufacturing facilities at Mandi Gobindgarh (Punjab). The company commenced commercial operations in 2005-06 and was taken over by the Jogindra Group in April, 2009. The operations of the company are managed by Mr. Sanjay Gupta.

OEPL has an installed capacity of 160 MT per day and the current capacity utilisation as on July 31, 2015 stands at around 70 per cent.

OEPL has interest bearing unsecured loans from promoters, friends and relatives worth Rs.7.87 crore in FY2014-15 that are subordinated to bank debt. SMERA has treated such unsecured loans as quasi-equity.

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For FY2014–15, OEPL reported profit after tax (PAT) of Rs.0.21 crore on operating income of Rs.104.89 crore, as compared with PAT of Rs.0.12 crore on operating income of Rs.121.21 crore for FY2013–14. The company's net worth stood at Rs.16.99 crore in FY2014–15 as compared with Rs.14.86 crore a year earlier.

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