

Press Release

21 June, 2017



Oriental Engineering Works Private Limited

Rating Reaffirmed and Assigned

Total Bank Facilities Rated *	Rs. 9.74 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB+**' (**read as SMERA BB plus**) on Rs. 6.71 crore and assigned '**SMERA BB+**' (**read as SMERA BB plus**) on Rs. 1.00 crore with a short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 2.03 crore bank facilities of Oriental Engineering Works Private Limited. The outlook is '**Stable**'.

Oriental Engineering Works Private Limited (OEWPL), established in 1933 manufactures hydraulic jacks, cylinders, pumps, power packs among others for the construction, mining industries. The manufacturing facility is located at Yamuna Nagar, Haryana.

Key Rating Drivers

Strengths

- **Extensive experience of promoters**

The company was promoted by Mr. Samira Saluja, Mr. Raman Saluja and Satish Chandra Saluja who possess extensive experience in the industry.

- **Healthy financial risk profile**

The healthy financial risk profile is marked by low gearing of 0.36 times as on 31 March, 2016 as against 0.45 times in the previous year. Moreover, the networth stood at Rs.10.33 crore in FY2016 which includes unsecured loans of Rs. 3.54 crore. The interest coverage ratio (ICR) stood at 4.05 times for FY2016 as against 4.41 times in FY2015. Going forward, the company is expected to maintain its financial risk profile in the absence of any major debt funded capex.

- **Comfortable liquidity position**

The liquidity position is comfortable. The cash credit limit utilisation stood at ~65 percent for the last six months ended 31 March, 2017. Moreover, the company has an encumbered cash balance of Rs. 0.67 crore as on 31 March, 2016 against Rs. 0.35 crore in 31 March, 2015.

Weaknesses

- **Modest scale of operations**

The scale of operations is modest marked by operating income of Rs. 27.20 crore in FY2016 as against Rs.26.45 crore in FY2015. As informed by the management, the company reported operating income of Rs. ~32 crore (Provisional) for FY2017. Going forward, the company is expected to report significant growth in FY2018 on account of its healthy order book position of Rs. 18 crore which is likely to be executed by January, 2018.

- **Decline in profitability amidst competitive pricing**

The company is exposed to intense competition in the industry from organised and unorganised players. The profit margins declined to 1.50 per cent in FY2016 from 3.00 per cent in FY2015 and 4.69 per cent in FY2014 on account of competitive pricing.

- **Exposure to foreign exchange fluctuation risk**

The company is exposed to foreign exchange fluctuation risk since around ~50 per cent of the revenue is from exports to Holland, Dubai and USA. This may affect the profit margins of the company.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company to arrive at the rating.

Outlook: Stable

SMERA believes that OEWPL will maintain a stable outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers substantial increase in scale of operations while maintaining stability in profit margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the margins and revenues or if the company takes on higher than expected debt funded capex. Any elongation in working capital cycle leading to deterioration in its debt protection metrics may also entail a 'Negative' outlook.

About the Rated Entity - Key Financials

The company reported Profit after Tax (PAT) of Rs. 0.41 crore on operating income of Rs. 27.20 crore in FY2015-16 as compared with PAT of Rs. 0.80 crore on operating income of Rs. 26.45 crore in FY2016-17. The net worth stood at Rs. 10.33 crore as on 31 March, 2016 as against Rs. 9.33 crore in the previous year.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
11-Feb-2016	Term Loan	Long Term	INR 2.74	SMERA BB+ / Stable
	Cash Credit	Long Term	INR 5	SMERA BB+ / Stable
	Letter of Credit	Short Term	INR 0.5	SMERA A4+
	Forward Cover Limit	Short Term	INR 0.25	SMERA A4+
	Bank Guarantee	Short Term	INR 1.25	SMERA A4+

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.50	SMERA BB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.21	SMERA BB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BB+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.53	SMERA A4+

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ABOUT SMERA

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