

## Press Release

Oriental Engineering Works Private Limited

August 31, 2018



### Rating Reaffirmed and Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 29.33 Cr. (Enhanced from Rs.9.74 crore)
<b>Long Term Rating</b>	ACUITE BB+ / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A4+

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs.9.74 crore bank facilities of Oriental Engineering Works Private Limited (OEWPL). Further, Acuité has assigned the long-term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs.19.59 crore bank facilities of Oriental Engineering Works Private Limited (OEWPL). The outlook is '**Stable**'.

The rating continues to draw comfort from the extensive experience of the promoters, healthy financial risk profile and comfortable liquidity position. The above mentioned strengths are partially offset by modest scale of operations, uneven profitability margins and susceptibility of the same to foreign exchange fluctuation risk.

OEWPL, established in 1933, manufactures hydraulic jacks, cylinders, pumps, power packs among others for the construction and mining industries. The manufacturing facility is located at Yamuna Nagar (Haryana). The company derives around 47 percent of its revenue from exports to countries including Netherlands, Middle East countries, Europe and USA.

### Analytical Approach

Acuité has considered the standalone business and financial risk profile of Oriental Engineering Works Private Limited (OEWPL) for arriving at the rating.

### Key Rating Drivers:

#### Strengths

- **Extensive experience of promoters**

The company is currently promoted by Mr. Samira Saluja, Mr. Raman Saluja and Mr. Satish Chandra Saluja who possess more than two decades of experience in the industry. This has helped the company to maintain long standing relations with the customers and suppliers.

- **Healthy financial risk profile**

The financial risk profile continues to healthy marked by adjusted tangible net worth of Rs.12.85 crore as on 31 March, 2018 (Provisional) as against Rs.11.57 crore in the previous year. For arriving at the adjusted tangible net worth, the unsecured loan from related parties of Rs. 4.01 crore has been considered as part of the equity as same is subordinated to bank debt. The debt to equity ratio is low at 0.45 times as on 31 March, 2018 (Provisional) as against 0.41 times in the previous year. The total debt of Rs.4.35 crore mainly consists of working capital borrowing of Rs.1.51 crore; long term borrowing of Rs.2.84 crore. The interest coverage ratio stood at 5.15 times in FY2018 (Provisional) as against 3.06 times in FY2017. Debt Service Coverage Ratio (DSCR) stood at 3.97 times in FY2018 (Provisional) as against 2.04 times in the previous year. The total outside liabilities to adjusted tangible net worth (TOL/TNW) stood at 0.62 times as on 31 March, 2018 (Provisional) as against 0.85 times in the previous year.

- **Comfortable Liquidity position**

The Gross Current Asset (GCA) stood at 108 days in FY2018 (Provisional) as against 106 days in the previous year. This is on account of debtor days at 74 in FY2018 (Provisional) as against 63 days in the previous year. However, the liquidity position of the company is comfortable as the average cash credit limit utilisation stood at 75 percent during the last six months ended as on 30 June, 2018.

### Weaknesses

- **Moderate scale of operation**

The scale of operations is modest marked by operating income of Rs.32.47 crore in FY2018 (Provisional) as against Rs.32.76 crore in the previous year. However, as informed by management the company has unexecuted order book position to the tune of Rs.28.00 crore in-hand which is expected to be executed over the next two years.

- **Susceptibility of the profitability to volatility in foreign exchange rate**

The company is exposed to foreign exchange fluctuation risk since around ~47 percent of the revenue is from exports to Netherlands, Dubai and USA. This may affect the profit margins of the company.

### Outlook: Stable

Acuité believes that OEWPL will maintain a 'Stable' business risk profile over the medium term on account of experienced management. The outlook may be revised to 'Positive' in case the company registers a substantial increase in its scale of operations while maintaining stability in its profit margins. Conversely, the outlook may be revised to 'Negative' in case of significant decline in net cash accruals or deterioration in the financial risk profile of the company due to higher than expected debt funded capex plan or stretched liquidity position.

### About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	32.47	32.76	27.20
EBITDA	Rs. Cr.	4.06	2.39	2.93
PAT	Rs. Cr.	1.77	1.14	0.41
EBITDA Margin	(%)	12.52	7.29	10.76
PAT Margin	(%)	5.46	3.47	1.50
ROCE	(%)	17.84	9.30	12.06
Total Debt/Tangible Net Worth	Times	0.34	0.41	0.36
PBDIT/Interest	Times	5.16	3.06	4.05
Total Debt/PBDIT	Times	1.07	1.95	1.28
Gross Current Assets (Days)	Days	108	106	116

### Any other information

Not Applicable

### Applicable Criteria

- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>

### Note on complexity levels of the rated instrument

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

**Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
21-Jun-2017	Cash Credit	Long Term	5.50 (Enhanced from Rs.5.00 crore)	ACUITE BB+/ Stable (Reaffirmed)
	Term Loan	Long Term	1.21 (Reduced fro, Rs.2.74 crore)	ACUITE BB+/ Stable (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE BB+/ Stable (Assigned)
	Letter of Credit	Short Term	0.50	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	1.53 (enhanced from Rs.1.25 crore)	ACUITE A4+ (Reaffirmed)
11-Feb-2016	Cash Credit	Long Term	5.00	ACUITE BB+/ Stable (Assigned)
	Term Loan	Long Term	2.74	ACUITE BB+/ Stable (Assigned)
	Forward cover limit	Long Term	0.25	ACUITE A4+ (Assigned)
	Letter of Credit	Short Term	0.50	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	1.25	ACUITE A4+ (Assigned)

**\*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 <sup>^</sup>	ACUITE BB+/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.70 (Reduced from Rs.1.21 crore)	ACUITE BB+/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.80 (Reduced from Rs.1.21 crore)	ACUITE BB+/ Stable (Reaffirmed)
Standby Line of Credit	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4+ (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.95 (Enhanced from Rs.0.50 crore)	ACUITE A4+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.80 (Enhanced from Rs.1.53 crore)	ACUITE A4+ (Reaffirmed)
Proposed Working Capital Demand Loan	Not Applicable	Not Applicable	Not Applicable	5.71	ACUITE BB+/ Stable (Assigned)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB+/ Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.37	ACUITE A4+ (Assigned)

<sup>^</sup>Includes sublimit of export packing credit /packing credit in foreign currency to the extent of Rs. 1.50 crore; bills discounting backed by LC to the extent of Rs. 3.50 crore and Bills discounting (Non-LC) to the extent of Rs. 1.50 crore

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### About Acuité Ratings & Research:

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