



SMERA RATINGS LIMITED

Orient Steel & Industries Limited (OSIL)

Rating Rationale

March 08, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	15.00	SMERA BB/Stable (Assigned)
Bill Discounting	0.50	SMERA A4+ (Assigned)
Bank Guarantee	3.50	SMERA A4+ (Assigned)
Letter of Credit	12.00	SMERA A4+ (Assigned)

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the above mentioned bank facilities of Orient Steel & Industries Limited (OSIL). The outlook is '**Stable**'. The ratings draw comfort from the company's experienced management and average financial risk profile marked by healthy net worth, modest gearing and coverage indicators. However, the ratings are constrained by the working capital intensive nature of operations, dependence on Indian Railways for orders and volatility in raw material prices.

Outlook: Stable

SMERA believes OSIL will maintain a 'Stable' business risk profile in the medium term on account of its experienced management and established operational track record. The outlook may be revised to 'Positive' if the company registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins and improvement in its working capital management. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability or deterioration in its financial risk profile.

Rating Sensitivity

- Sustainability of revenues and improvement in profit margins
- Working capital management

About the Company

OSIL, established in 1957 manufactures steel casting (used in rail wagons) and HR/CR strips in addition to sheet piles used in irrigation projects for dredging in dams and soil retention. The manufacturing facilities of the company are located at West Bengal and Haryana. OSIL reported profit after tax (PAT) of Rs.0.61 crore on operating income of Rs.182.38 crore for FY2014-15, as compared with PAT of (Rs.0.00) crore on operating income of Rs.143.29 crore in FY2013-14.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.



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