

## Press Release

### Orient Steel & Industries Limited

March 06, 2017

### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs. 31.00 Cr.
<b>Long Term Rating</b>	SMERA BB / Outlook: Stable
<b>Short Term Rating</b>	SMERA A4+

\* Refer Annexure for details

### Rating Rationale

SMERA has reaffirmed 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 Rs. 31.00 crore bank facilities of Orient Steel & Industries Limited. The outlook is '**Stable**'.

Orient Steel & Industries (OSIL), established in 1957 manufactures steel casting (used in rail wagons), HR/CR strips, sheet piles used in irrigation projects for dredging in dams and soil retention. The manufacturing facilities are located at West Bengal and Haryana.

### Key Rating Drivers

#### Strengths

- Experienced management and long track record of operations**

The company benefits from the extensive experience of the management in the iron and steel industry.

- Above average financial risk profile**

The above average financial risk profile is marked by high net worth of Rs.30.13 cr and moderate gearing of 1.28 times in FY2016. The healthy interest coverage ratio (ICR) stood at 2.03 times in FY2016 and DSCR at 1.83 times. The NCA/TD stood at 0.14 times in FY2016.

- Modest scale of operations**

The scale of operations is modest. The company achieved revenue of Rs.137.39 cr in FY2015.

#### Weaknesses

- High customer concentration risk**

Since OSIL caters largely to the Indian Railways deriving more than 90 per cent revenue, the company is exposed to significant customer concentration risk.

- Working capital intensive operations**

OSIL's operations are working capital intensive, evident from the high gross current assets days of 150 during FY2016, an increase from 120 days in FY2015. This necessitates working capital requirement as major funds gets blocked in inventory and debtors. The inventory and debtors days stood at 96 and 54 days respectively in FY2016 as compared to 64 and 50 days in FY2015.

### Analytical Approach

SMERA has considered the standalone business and financial risk profiles of OSIL.

### Outlook: Stable

SMERA believes that OSIL will maintain a Stable outlook 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 revenue 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 revenue and profitability or deterioration in its financial risk profile.

#### About the Rated Entity - Key Financials

For FY2015-16, OSIL reported profit after tax (PAT) of Rs 2.02 cr on total operating income of Rs.137.39 cr, as compared with PAT of Rs.0.61 cr on total operating income of Rs.182.38 cr in FY2014-15.

#### 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>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.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
08-Mar-2016	Cash Credit	Long Term	INR 15	SMERA BB / Stable
	Bill Discounting	Short Term	INR 0.5	SMERA A4+
	Bank Guarantee	Short Term	INR 3.5	SMERA A4+
	Letter of Credit	Short Term	INR 12	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	15.00	SMERA BB / Stable
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA A4+
Letter of credit	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA A4+

#### Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 <a href="mailto:vinayak.nayak@smera.in">vinayak.nayak@smera.in</a>  Abhishek Dey Rating Analyst Tel: +91 33 6620 1222 <a href="mailto:abhishek.dey@smera.in">abhishek.dey@smera.in</a>	Varsha Bist Sr. Executive Tel: 022-67141160 <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a>

### ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit [www.smera.in](http://www.smera.in).

**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](http://www.smera.in)) for the latest information on any instrument rated by SMERA.*