

## 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+

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### ABOUT SMERA

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