

Press Release

Om Dutta Industries

26 August, 2017



Rating Downgraded and Assigned

Total Bank Facilities Rated*	Rs.8.20 Cr
Long Term Rating	SMERA D (Downgraded from SMERA B-/Stable)

Rating Rationale

SMERA has downgraded the long term rating on the Rs. 6.20 crore bank facilities of Om Dutta Industries (ODI) to '**SMERA D**' (**read as SMERA D**) from '**SMERA B-**' (**read as SMERA B minus**). Further, SMERA has also assigned long term rating of '**SMERA D**' to the Rs. 2.00 crore facility.

The rating downgrade reflects delays in servicing of debt obligations on account of the firm's weak financial risk profile.

Om Dutta Industries (ODI) is a Madhya Pradesh-based partnership firm engaged in the manufacturing of Calcined Petroleum Coke (CPC). The firm is led by partners Mr. Piyush Kaushik and Mrs. Manjula Kaushik. The commercial operations commenced in June 2016. The manufacturing facility is located near Indore, Madhya Pradesh and has an installed capacity of 3000 MT per month.

List of key rating drivers and their detailed description

Strengths:

Experienced management: ODI is headed by Mr. Piyush Kaushik who possesses experience of around a decade in the said line of business.

Location advantage: ODI derives locational advantage since the facilities for manufacturing of Calcined Petroleum Coke (CPC) are located at Madhya Pradesh. SMERA believes that with substantial requirement of CPC in both, the steel and aluminium industries, ODI will be able to scale up operations and register increase in profitability margins over the medium term.

Weaknesses

Delay in debt servicing obligations: There have been delays with regard to principal and interest payment during the last three months due to a weak financial risk profile.

Working capital intensive operations: The operations are working capital intensive marked by high GCA days of 731 for FY2016-17 (Provisional). The inventory holding period has been high at 255 days for FY2016-17. The debtor days stood at 58 and creditor days at 64 for FY2016-17.

Limited track record of operations: The firm started commercial operations in June, 2016.

Weak financial risk profile: The financial risk profile has been weak marked by low net worth of Rs.1.14 crore as on 31 March, 2017 (Provisional) as against Rs. 3.06 crore as on 31 March, 2016. The gearing stood high at 4.99 times as on 31 March, 2017 (Provisional) as against 1.94 times as on 31 March, 2016. The total outside liabilities to tangible net worth deteriorated to 5.34 times as on 31 March, 2017 (Provisional) from 2.08 times as on 31 March, 2016.

Applicable Criteria

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

About the Rated Entity – key financials

For FY2016-17 (Provisional), ODI reported net loss of Rs. 1.66 crore on operating income of Rs.0.48 crore. The net worth stood at Rs.1.14 crore as on March 31, 2017 (Provisional).

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
23 Dec, 2016	Term Loan	Long Term	3.20	SMERA B-/Stable (Assigned)
	Term Loan	Long Term	1.30	SMERA B-/Stable (Assigned)
	Cash credit	Long Term	1.70	SMERA B-/Stable (Assigned)

*Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	N.A	N.A	N.A	3.20	SMERA D (Downgraded from SMERA B-/Stable)
Term Loan	N.A	N.A	N.A	1.30	SMERA D (Downgraded from SMERA B-/Stable)
Cash credit	N.A	N.A	N.A	1.70	SMERA D

					(Downgraded from SMERA B-/Stable)
Proposed working capital term loan	N.A	N.A	N.A	2.00	SMERA D (Assigned)

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ABOUT SMERA

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