

Press Release

Orbis Elevator Company Limited

September 11, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 9.71 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) and short-term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 9.71 crore bank facilities of ORBIS ELEVATOR COMPANY LIMITED (OECL). The outlook is '**Stable**'.

Ahmedabad-based, Orbis Elevator Company Limited (OECL) was incorporated in 1995 by Mr. Mahendrabhai L. Patel, Mr. Babubhai L. Patel and Mrs. Kailashben M. Patel. The company is engaged in manufacturing, installing and service of elevator and escalator. OECL offers complete elevator and escalator system solutions for public, private and corporate sectors. ORBIS mainly caters to dairy, pharmaceutical companies, atomic, thermal, hydro and other power plants, semi - government and government high-rise buildings, prominent real estate companies, small, medium and large scale industries, star rated hotels, various government undertakings and many low, medium and high rise buildings across the global.

Analytical Approach

Acuité has considered standalone business and financial risk profile of OECL to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

OECL, incorporated in 1995, is engaged in the manufacturing, installation and servicing of elevators and escalators. The company was promoted by Mr. Mahendrabhai L. Patel, Mr. Babubhai L. Patel and Mrs. Kailashben M. Patel, who possess extensive experience of more than two decades in the industry. The promoters have developed healthy relations with customers and suppliers over the time. Acuité believes that OECL will be benefited by the established track record and experienced management over the medium term.

- **Moderate order book position with reputed customer base**

OECL has long term relations with government entities and reputed customers such as PWD Department, R & B Department, Government of Gujarat; Gujarat State Electricity Corporation Limited among others, since 1995. The company also executes orders related to erection, installation, commissioning and annual maintenance services. The order book position stands at ~Rs. 25.00 crore as on August 2019, which gives visibility of the revenues over the near term.

- **Moderate financial risk profile**

The financial risk profile of OECL is moderate marked by tangible net worth of Rs.7.28 crore as on March 31, 2019 (Provisional), improved from Rs.5.89 crore as on March 31, 2018. The total debt of Rs.8.26 crore outstanding as on 31 March, 2019 (Provisional) comprises of Rs.1.31 crore as term loan from bank, Rs.4.21 crore as unsecured loans from promoters and Rs.2.73 crore as working capital borrowing from the bank. The gearing ratio improved to 1.13 times as on 31 March, 2019 (Provisional) as against 1.45 times as on 31 March, 2018. Interest coverage ratio stood at 3.41 times in FY2019 (Provisional) as against 3.37 times in FY2018. DSCR stood at 1.19 times in FY2019 (Provisional) as against 1.62 times in FY2018. The net cash accruals declined marginally to Rs.1.83 crore in FY2019 (Provisional) as against Rs.1.79 crore in FY2018. The NCA/TD ratio stood at 0.22 times in FY2019 (Provisional) as against 0.21 times in FY2018.

Acuité believes that OECL will sustain its financial risk profile over the medium term backed by moderate accruals and order book position.

Weaknesses

- **Working capital intensive nature of operations**

The operations of OECL have remained working capital intensive marked by GCA days of 164 in FY2019 (Provisional), as against 170 days in FY2018. This is on account of high receivable days due to elongated payment terms from government entities. The company gets extended credit period from its suppliers of around 150 to 200 days, which moderates the working capital requirement. Inventory holding period has stood moderate to 31 days in FY2019 (Provisional) and FY 2018.

Acuité believes that being into the capital goods industry, the operations of OECL will remain working capital intensive.

- **Declining profitability trend**

The operating profitability of the company has shown downward trend over the last three years under study. The EBITDA margin declined to 7.81 per cent in FY2019 (provisional) from 8.31 per cent in FY2018 and 9.10 percent in FY2017. This is mainly on account of rise in manufacturing cost, the burden of which is not completely transferred to the final customer. Further, the PAT margin has also deteriorated marginally over the same period. The PAT margin declined to 2.43 per cent in FY2019 (Provisional) from 2.52 per cent in FY2018 and 2.63 per cent in FY2017.

- **Intense market competition**

OECL is exposed to intense competition from major players in the industry such as Thyseen Krupp Elevator India, Kone India, Fujitec India, Otis Elevator Company, Johnson Lifts among others.

Liquidity Position

OECL has adequate liquidity; however, utilisation is expected to remain high on account of large working capital requirement. Expected cash accrual of over Rs. 2.21 crore – Rs. 2.92 crore over FY20-22 and is likely to be sufficient against term debt obligation of ~Rs 0.43 crore over FY20-22. The remaining accrual will cushion liquidity. The current ratio was moderate at 1.09 times as on March 31, 2019 (provisional).

Outlook: Stable

Acuité believes that OECL will continue to benefit over the medium term from its long track of operations and experienced management. The outlook may be revised to 'Positive' if the company's scale of operations increases substantially, while maintaining its operating profitability. Conversely, the outlook may be revised to 'Negative' if the company fails to maintain the profitability or if financial risk profile deteriorates owing to more than envisaged working capital borrowings.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	38.54	34.54	37.28
EBITDA	Rs. Cr.	3.01	2.87	3.39
PAT	Rs. Cr.	0.94	0.87	0.98
EBITDA Margin	(%)	7.81	8.31	9.10
PAT Margin	(%)	2.43	2.52	2.63
ROCE	(%)	15.56	15.39	22.33
Total Debt/Tangible Net Worth	Times	1.13	1.45	1.90
PBDIT/Interest	Times	3.41	3.37	3.50
Total Debt/PBDIT	Times	2.56	2.72	2.63
Gross Current Assets (Days)	Days	164	170	155

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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
28-Jun-2018	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BB / Stable (Reaffirmed)
	Term Loan	Long Term	0.66	ACUITE BB / Stable (Reaffirmed)
	Term Loan	Long Term	1.05	ACUITE BB / Stable (Reaffirmed)
22-May-2017	Cash Credit	Long Term	1.50	ACUITE BB / Stable (Assigned)
	Term Loan	Long Term	1.05	ACUITE BB / Stable (Assigned)
	Term Loan	Long Term	0.66	ACUITE BB / Stable (Assigned)
	Bank Guarantee	Short Term	0.75	ACUITE A4+ (Assigned)
	Proposed Cash Credit	Long Term	1.5	ACUITE BB / Stable (Assigned)
	Proposed Bank Guarantee	Short Term	4.25	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	3.00	ACUITE BB / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.52	ACUITE BB / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.18	ACUITE BB / Stable (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ (Reaffirmed)
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	1.01	ACUITE BB/ Stable (Reaffirmed)

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About Acuité Ratings & Research:

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