

Press Release

Ojus Power and Technologies Private Limited (OPTPL)

February 16, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs.13.23 Cr
Long Term Rating	SMERA BB / Outlook :Stable
Short Term Rating	SMERA A4+

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB (read as SMERA double B)**' and short term rating of '**SMERA A4+(read as SMERA A four plus)**' on the Rs.13.23 crore bank facility of Ojus Power and Technologies Private Limited (OPTPL). The outlook is '**Stable**'.

OPTPL, a Bangalore-based company was incorporated in 2009. Promoted by Mr. Sampath Kumar, Mr. Ram Kumar and Ms. Deepa Vijendran, the company manufactures Diesel Generators (DG), lifts and escalators.

Key Rating Drivers

Strengths

Experienced management

OPTPL was incorporated in 2009 by Mr. Sampath Kumar, Mr. Ram Kumar and Ms. Deepa Vijendran. The promoters have more than four decades of experience in the genset industry. This has resulted in healthy relations with suppliers and repetitive orders from customers.

Reputed principal and customer

OPTPL has reputed principal - Ashok Leyland Limited. Since its inception, the company has been dealing with Ashok Leyland.

Further, the company receives orders for diesel generators from reputed clients including Indian Oil Corporation Limited, Larsen & Toubro Ltd and DOLAR Systems & Services Pvt Ltd etc.

Moderate financial risk profile

OPTPL has moderate financial risk profile marked by gearing (debt-to equity) of 2.24 times as on 31 March, 2017 as against 2.49 times as on 31 March, 2016. The total debt mainly comprises working capital borrowing and term loan. The ICR (Interest Coverage Ratio) stood at 2.17 times in FY2017 against 2.42 times in FY2016. The DSCR stood at 1.93 times in FY2017 against 2.15 times in FY2016. The tangible net worth stood at Rs.8.02 crore as on 31 March, 2017. However, the debt protection metrics remain comfortable with NCA/TD of 0.15 times for FY2017

Comfortable working capital management

OPTPL has comfortable working capital cycle but slightly stretched as compared to previous year marked by GCA (Gross Current Assets) of 84 days for FY2017 as against 71 days for FY2016. This is on account of inventory days of 59 for FY2017 and 50 days for FY2016.

Further utilisation of working capital borrowing stood at 80.00 percent for the last six months from October 2016 to February 2017.

Weaknesses

Uneven revenue trend

OPTPL registered operating income of Rs.77.71 crore in FY2017, Rs.85.93 crore in FY2016 and Rs.73.15 crore in FY2015. From April 2017 to January 2018 the company registered operating income of Rs.77.00 crore and expects ~Rs.90.00 crore in the current financial year.

Intense market competition

The company is exposed to intense competition in the industry from organised as well as unorganised players.

Susceptibility of profit margins to volatility in raw material prices and forex rates

The profit margins are susceptible to volatility in raw material prices of steel, metal sheets, copper wires and cables.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Ojus Power & Technologies Private Limited to arrive at the rating.

Outlook - Stable

SMERA believes that the outlook on OPTPL's rated facilities will remain stable over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case of growth in revenues and profit margins. Conversely, the outlook maybe revised to 'Negative' in case of deterioration in the capital structure or decline in revenues and profit margins.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	77.71	85.93	73.15
EBITDA	Rs. Cr.	4.04	5.21	3.28
PAT	Rs. Cr.	1.08	1.75	0.49
EBITDA Margin	(%)	5.19	6.06	4.49
PAT Margin	(%)	1.38	2.03	0.67
ROCE	(%)	14.20	18.78	12.50
Total Debt/Tangible Net Worth	Times	2.24	2.49	3.78
PBDIT/Interest	Times	2.17	2.42	1.64
Total Debt/PBDIT	Times	4.05	3.13	5.17

Gross Current Assets (Days)	Days	84	71	89
-----------------------------	------	----	----	----

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

None

Any other information:

Not Applicable

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)**

Not Applicable

Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.00	SMERA BB/ Stable
Proposed Term loans	Not Applicable	Not Applicable	Not Applicable	0.23	SMERA BB/ Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4+
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4+

Contacts

Analytical	Rating Desk
Suman Chowdhury, President- SMERA Bond Ratings Tel: 022-6714 1107 suman.chowdhury@smera.in Disha N. Parmar, Analyst – Rating Operations Tel: 022-6714 1120 disha.parmar@smera.in	Varsha Bist Manager – Rating Desk Tel: 022-67141160 varsha.bist@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

SMERA Ratings Limited

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.