

Press Release

Oswal Metal

September 26, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 7.50 Cr.
Long Term Rating	ACUITE B- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B-**' (**read as ACUITE B minus**) on the Rs. 7.50 crore bank facilities of Oswal Metal. The outlook is '**Stable**'.

Oswal Metal was established in 1993 as a partnership firm by Mr. Ashok Kumar Jain and his wife Mrs. Pani Devi Jain. The firm is engaged in the manufacturing and trading of stainless steel sheets/Pattas using stainless steel flat as the raw material. The manufacturing plant is located in Jodhpur with an installed capacity to manufacture 250-350 tons per month and an average utilization of ~80-85 per cent.

Key Rating Drivers

Strengths

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

OM was established as a partnership firm in 1993 by Mr. Ashok Kumar Jain and Mrs. Pani Devi Jain. The partners have been associated with the steel industry since the past 3 decades and have developed healthy relations with their customers and suppliers.

Weaknesses

- **Weak Financial Risk Profile**

OM's financial risk profile is weak marked by a low net worth of Rs.2.95 crore as on March 31st 2018 (Provisional) as against Rs.2.24 crore as on March 31st 2017. The gearing stood high at 2.28 times as on March 31st 2018 (Provisional) against 2.76 times as on March 31st 2017. The total debt as on March 31st 2018 (Provisional) stood at Rs.6.73 crore including Rs.1.88 crore of long term loans from the bank Rs.0.01 crore of unsecured loans from the promoters and Rs.4.84 crore of short term borrowing from the bank. The net cash accruals stood at Rs.0.07 crore in FY2018 (Provisional) against a debt obligation of ~Rs.0.40-0.50 crore. The interest coverage ratio stood at 1.13 times in FY2018 (Provisional) against 1.15 times in the previous year. The total outside liabilities to total net worth ratio stood at 2.84 times as on March 31st 2018 (Provisional) against 3.39 times as on March 31st 2017.

- **Competitive and fragmented industry**

The company operates in the competitive nature of the industry. The competition stems from the fragmented small players in the industry.

- **Susceptibility of margins to fluctuations in raw material prices**

OM's major raw material is steel whose prices are highly fluctuating in nature. Hence the firm's margins are susceptible to changes in steel prices. The firm's ability to pass on these fluctuations to its customers is a key rating indicator.

Analytical Approach

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

Outlook: Stable

Acuité believes OM will maintain a Stable profile over medium term on the back of its experienced management. The outlook may be revised to Positive in case the company registers more than expected growth in revenues while achieving improvement in profitability. Conversely the outlook may

be revised to negative in case of high working capital requirements increasing the pressure on margins or debt funded capex deteriorates financial risk profile of the company.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	27.81	22.29	32.09
EBITDA	Rs. Cr.	0.72	0.80	0.68
PAT	Rs. Cr.	0.03	0.04	0.06
EBITDA Margin	(%)	2.59	3.61	2.13
PAT Margin	(%)	0.11	0.17	0.17
ROCE	(%)	7.73	8.68	8.75
Total Debt/Tangible Net Worth	Times	2.28	2.76	3.27
PBDIT/Interest	Times	1.13	1.15	1.23
Total Debt/PBDIT	Times	8.99	7.63	9.84
Gross Current Assets (Days)	Days	139	148	110

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE B- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.22	ACUITE B- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.48	ACUITE B- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B- / Stable
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	0.80	ACUITE B- / Stable

Contacts

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About Acuité Ratings & Research:

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