

Press Release

ORBIT PROJECTS PRIVATE LIMITED

July 02, 2019



Rating Update

Total Bank Facilities Rated*	Rs. 45.00 Cr.
Long Term Rating	ACUITE A- (SO) (Under rating watch with negative implications)

* Refer Annexure for details

Rating Rationale

Acuité has placed long-term rating of '**ACUITE A- (SO)** (**read as ACUITE A minus structured obligation**)' to the Rs. 45.00 crore bank facilities of ORBIT PROJECTS PRIVATE LIMITED (OPPL) on 'Rating watch with negative implications'.

Acuité has placed OPPL's rating on watch based on the recent announcement by the promoters of Emami Limited diluting 10 per cent of their stake in the company. Post this the revised promoter holding in Emami Limited has been reduced to 52.74 per cent. The proceeds of this stake dilution have been deployed towards repayment of borrowings based on pledge of promoter holding in Emami Limited. Acuité had sought details of the current borrowings from the management, post the above mentioned stake sale and we observe that the aggregate borrowings from various banks and NBFCs based on pledge of promoters shares still continue to be at elevated levels. Further, Acuité has observed that the stock prices of Emami Limited have been exhibiting a declining trend which could result in increased possibility of margin calls from some of these lenders.

The increased focus of the regulators on such borrowings and recent regulatory changes in respect of mutual fund exposures to pledge based borrowings could result in further challenges in raising funds through this route. Management of the company has indicated its intention to sell AHL's units, real estate properties and its cement assets held in Emami Cement Limited. Acuité is currently in discussions with the management to understand the current status of negotiations with potential buyers, the expected timelines for sale and the expected cashflows from these divestments. Since the promoter's stake is already at 52.74 per cent (both encumbered and unencumbered), Acuité is also seeking clarity on the promoter's stance in case of any further requirement of top-ups by the lenders.

About the Company

OPPL is one of the real-estate arms of the Emami Group. OPPL is a subsidiary of Raj Abasan Private Limited, 60 percent of which is held by Emami Estates Private Limited which in turn is held by various members of the Agarwal and Goenka families, promoters of the Emami group.

The company primarily focuses on developing residential real estate projects in Kolkata (West Bengal). OPPL has completed six residential projects exceeding 5 lakh sq. ft. in prime locations across Kolkata till date. At present, the company is undertaking two new projects spread over almost 1.65 lakh sq. ft.

About the Group

Emami Limited, the flagship company of the group was incorporated in 1974. Promoted by Mr. R. S. Agarwal and Mr. R. S. Goenka, the company is one of the leading FMCG companies in India with portfolio of over 300 products (ayurvedic formulations, herbal, cosmetic, personal and healthcare products comprising oil, talc, cream, balm, medicine). The major brands of the company are Navratna Oil, BoroPlus, Zandu & Menthobal Plus, Fair & Handsome, Kesh King and Navratna Cool Talc. Emami Limited, headquartered in Kolkata, has presence in 60 countries with eight overseas subsidiaries, 3250 distributors, 6500 sub-distributors with direct reach across 7.3 lakh retail outlets.

Analytical Approach

Acuité has considered standalone business and financial risk profile of OPPL. The expectation of support from Emami Group and credit enhancement in the form of pledge of shares of Emami Limited has been factored in to arrive at the final rating.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	18.78	9.60	89.77
EBITDA	Rs. Cr.	23.28	16.99	25.06
PAT	Rs. Cr.	-0.06	0.21	6.73
EBITDA Margin	(%)	123.97	176.97	27.91
PAT Margin	(%)	-0.33	2.20	7.50
ROCE	(%)	12.64	11.28	35.48
Total Debt/Tangible Net Worth	Times	20.38	15.70	14.06
PBDIT/Interest	Times	1.01	1.03	1.72
Total Debt/PBDIT	Times	8.35	8.72	5.20
Gross Current Assets (Days)	Days	4085	6582	674

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Real estate entities - <https://www.acuite.in/view-rating-criteria-41.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Criteria For Rating Of Securitized Transactions - <https://www.acuite.in/view-rating-criteria-29.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 Instruments	Term	Amount (Rs. Cr.)	Ratings/Outlook
8-Jan-2019	Term loans	Long Term	15.00	ACUITE A- (SO)/ Stable (Assigned)
	Proposed bank facility	Long Term	30.00	ACUITE A- (SO)/ Stable (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
Term loans	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A- (SO) (Under rating watch with negative implications)
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A- (SO) (Under rating watch with negative implications)

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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