

## Orient Steel And Industries Limited

February 11, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	10.00	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Short Term Bank Facilities	12.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>22.00</b> <b>(Rs. Twenty-Two Crore Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. had, vide its press release dated November 25, 2020, placed the rating(s) of Orient Steel and Industries Ltd. (OSIL) under the 'issuer non-cooperating' category as OSIL had failed to provide information for monitoring of the rating and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. OSIL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated October 11, 2021, October 21, 2021, October 31, 2021. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

### Detailed description of the key rating drivers

At the time of last rating on November 25, 2020 the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies):

#### Key Rating Weaknesses

**Small scale of operations::** The scale of operation of the company remained small marked by total operating income of Rs.46.48 crore in FY21 as against Rs.73.18 crore in FY20.

**Volatility in raw material prices and stretched operating cycle:** The company does not have backward integration for its basic raw-materials (iron and steel alloys) and it procures the same from open market at spot prices. Since the raw material is the major cost driver and the prices of which are volatile in nature, the profitability of the company is susceptible to fluctuation in raw-material prices. The operating cycle has deteriorated and remained stretched at 367 days in FY21 as against 192 days in FY20.

**Moderate capital structure and debt coverage indicators:** The overall gearing ratio remained moderate at 1.05x as on March 31, 2021 as against 1.29x as on March 31, 2020. Interest coverage stood at 2.38x in FY21 as against 2.45x in FY20.

**Intensely competitive industry:** OSIL is engaged in the manufacturing of Steel casting, steel shots & grits, cold rolled formed selection, hot rolled steel strips, stainless steel selection which is primarily dominated by large players and characterized by high fragmentation and competition due to the presence of numerous players in India owing to relatively low entry barriers

#### Key Rating Strengths

**Experienced promoters with long track record of operation:** OSIL is into manufacturing of railway products such as steel casting (used in rail wagons), CR strips, LHB coaches, Sheet piles used in irrigation projects for dredging in dams and soil retention since 1957 and has long track record of operations. The promoters have more than a four decade of experience in same industry, looks after the day to day operations of the company.

**Proximity to the raw material sources:** OSIL's plant is located in the industrial belt of West Bengal where the raw materials are available in abundance. Further, the steel and iron-ore rich state of Orissa is also located nearby. The proximity to the raw material sources reduces the transportation cost to the company.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Satisfactory profitability margins:** The profit margins remained satisfactory marked by operating margin of 25.29% and PAT margin of 11.10% respectively in FY21.

**Analytical approach:** Standalone

**Applicable Criteria**

[Policy in respect of Non-cooperation by issuer](#)  
[Criteria on assigning Outlook to Credit Ratings](#)  
[CARE's Policy on Default Recognition](#)  
[Financial ratios – Non-Financial Sector](#)  
[Short Term Instruments](#)  
[Rating Methodology - Steel Industry](#)

**About the Company**

Orient Steel and Industries Limited (OSIL) was incorporated in the year 1956 and started its operation from 1957. The company is engaged in manufacturing of steel casting (used in rail wagons), CR strips, LHB coaches, sheet piles used in irrigation projects for dredging in dams and soil retention. The company has two manufacturing units one is located in Howrah, West Bengal and another is in Faridabad, Haryana with an aggregate manufacturing capacity of Steel Casting – 24,000 tons per annum (TPA), Steel shots & grits – 4200 TPA, Cold rolled steel strips – 13,000 TPA, Hot rolled steel strips – 75,000 TPA, Cold rolled formed section – 36000 TPA.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (Prov.)
Total operating inco,mme	73.18	46.48	NA
PBILDIT	13.66	11.76	NA
PAT	3.38	5.16	NA
Overall gearing (times)	1.29	1.05	NA
Interest coverage (times)	6.55	5.75	NA

A: Audited, NA- Not available

**Status of non-cooperation with previous CRA:** Non-Cooperation from ACUITE Ratings vide its press release dated December 22, 2020.

**Any other information:** Not applicable

**Rating History for last three years:** Please refer Annexure-2

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	ISI N	Date of Issuance	Coupo n Rate	Maturit y Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	10.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	6.00	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit		-	-	-	6.00	CARE A4; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; Based on best available information

**Annexure-2: Rating History of last three years**

Sr. No	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	10.00	CARE BB-; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING * (25-Nov-20)	1)CARE BB; Stable (04-Sep-19)	-
2	Non-fund-based - ST-Bank Guarantee	ST	6.00	CARE A4; ISSUER NOT COOPERATING *	-	1)CARE A4; ISSUER NOT COOPERATING * (25-Nov-20)	1)CARE A4+ (04-Sep-19)	-
3	Non-fund-based - ST-Letter of credit	ST	6.00	CARE A4; ISSUER NOT COOPERATING *	-	1)CARE A4; ISSUER NOT COOPERATING * (25-Nov-20)	1)CARE A4+ (04-Sep-19)	-

\*Issuer did not cooperate; Based on best available information

**Annexure 3: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-Bank Guarantee	Simple
3	Non-fund-based - ST-Letter of credit	Simple

**Annexure 4: Bank Lender Details for this Company**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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### About CARE Ratings Limited:

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