

## Omnitech Engineering Limited

April 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	50.23	CARE BBB; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	35.00	CARE BBB; Stable / CARE A3+	Reaffirmed
Short Term Bank Facilities	2.50	CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of Omnitech Engineering Limited (Omnitech) continue to derive strength from its promoters' vast experience in the precision components manufacturing industry, established operations with continuous addition of new machines, reputed customer base, and geographically diversified revenue profile. The ratings also derive strength from its strong profitability leading to healthy debt coverage indicators.

The ratings, however, continue to remain constrained due to Omnitech's growing albeit moderate scale of operations, leveraged capital structure on the back of recently concluded debt-funded capex, working capital intensive operations marked by elongated operating cycle, limited bargaining power against original equipment manufacturers (OEMs), and profit margins susceptible to volatility in raw material prices and forex rates.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Significant growth in its scale of operations from present level while maintaining healthy PBILDT margin of more than 30% on a sustained basis.
- Improvement in its capital structure with overall gearing below 1.50 times along with improvement in debt coverage indicators

#### Negative factors

- Deterioration in its debt coverage indicators with interest coverage ratio of less than 3x and total debt to gross cash accruals (TDGCA) of more than 5x on sustained basis.
- Deterioration in its profitability marked by PBILDT of below 20% on a sustained basis.
- Any further elongation in operating cycle impacting liquidity of the company

### Analytical approach: Standalone

#### Outlook: Stable

The 'Stable' outlook reflects CARE Ratings Limited's (CARE Ratings') expectation that the company shall continue to benefit from stable demand for its products and established relation with reputed customer base, enabling the company to sustain its healthy profitability over the medium term.

### Detailed description of key rating drivers

#### Key strengths

##### Vast experience of promoters with established track record of operations

Uday A. Parekh, Chief Executive Officer (CEO) and Director, has more than two decades of experience in the precision components manufacturing industry. He is well assisted by his brother-in-law Paras Parekh, and both handle the company's overall administration and day-to-day operations.

Furthermore, the company has established operations with track record of more than one and a half decades in manufacturing of turned and machined parts such as cylinder liner, piston, gear box, shafts, and connecting rod among others, which are precision engineering products/parts. Its manufacturing facility and processes are accredited with various certifications, ISO 9001:2015 (Quality Management Systems), ISO 14001:2015 (Environmental Management Systems), ISO 45001:2018: (Occupational health & safety management systems), and IATF 16949 (International standards for Automotive quality management systems). Also, Omnitech has Star House Export certification.

### Reputed customer base and geographically diversified revenue profile

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

Omnitech is primarily engaged in exports of precision components and 74% of its Total Operating Income came from exports in FY24. The company's exports were majorly to USA and Europe. The company primarily caters directly to the requirements of the original equipment manufacturers (OEMs). Its customer base is reputed due to specialised products with high degree of quality and precision, various accreditations in place and hence commands healthy profitability. Omnitech caters to the requirement of diverse industry segments, including earth-moving equipment, airport and ground equipment, oil & gas, power, and other engineering industries. The company's customer base remained diversified marked by top 10 customers forming 58% of its total income in FY24.

### **Healthy profitability**

The company is essentially engaged in manufacturing precision components for various critical industries, and hence, commands healthy profitability. Additionally, the company caters to reputed customers in the US and Europe, resulting in better sales realisation. The company's PBILDT margin remained healthy at 35.88% in FY24 [37.47% in FY23]. The PBILDT margin continued to remain healthy at ~36.00% in 9MFY25.

### **Healthy debt coverage indicators despite moderation in capital structure**

Omnitech's capital structure became leveraged as on FY24 end with overall gearing ratio of 2.41x (PY: 0.86x) as on March 31, 2024. Moderation in overall gearing was due to significant increase in term debt towards recently concluded large size debt funded expansion capex and high utilisation of working capital limits. However, with infusion of equity by promoters in H1FY25 and accretion of profits to reserve, overall gearing is expected to improve going forward, in absence of any major capex. Owing to healthy profitability, company's debt coverage indicators though moderated during FY24, continued to remain healthy marked by PBILDT interest coverage of 5.01 times (PY:7.79x) and total debt/ GCA of 4.48x (P.Y.: 1.61x).

### **Continuous addition of machines and successful commercialisation of recently concluded debt funded capex**

Over the years, Omnitech has added various types of computer numerical control (CNC), vertical machining center (VMC), and gear shaper machines to strengthen its capability to manufacture precision parts as per customer specification. Omnitech successfully commercialised its debt funded capex in H1FY25 at a total cost of Rs.198.72 crore which was funded through a term loan of Rs. 147.34 crores and remaining Rs. 51.38 crore was funded from company's internal accruals.

### **Key weaknesses**

#### **Growing albeit moderate scale of operations**

During FY24, Omnitech's total operating income (TOI) largely remained stable at Rs. 190.69 crores (PY: Rs. 180.60 crores). However, In H1FY25, Omnitech reported a TOI of Rs. 129.25 crores and is expected to achieve TOI of around Rs.330 crore in FY25. Augmentation in TOI from FY25 onwards is facilitated by commercialisation of its Unit-II at "Chapra" which has led to enhanced capacity as well as on the back of addition of new customers. Also, Omnitech had order book of ₹344 crore outstanding as on March 25, 2025, which is expected to be executed over the next twelve months.

#### **Working capital intensive operations with elongation of operating cycle**

The company is engaged in the manufacturing precision components of various sizes, types and specifications catering to diversified industry segments and has setup a warehouse in the US to decrease lead time to its customers. Also, the company needs to maintain raw material inventory in order to complete the orders in timely manner. Considering multiple products, transit time of 60-90 days and execution period leads to high inventory days. The company provides clean credit to its customers for around 60-90 days. Against this, it gets similar credit period from its suppliers. High inventory period predominantly results in an elongated working capital cycle for the company. During FY24, working capital cycle further increased to 229 days as against 172 days in FY23 owing to increase in inventory holding period.

#### **Limited bargaining power against OEMs**

Omnitech caters to reputed companies in the US and Europe, including Fortune 500 companies. Considering its size, it has limited bargaining power against OEMs. Omnitech has to maintain a large portfolio of product offerings and continuously evolve itself per the client requirement to remain competitive in business, as it competes with large, organised players for export orders.

#### **Profit margins susceptible to volatility in raw material prices and forex rates**

The company's key raw material consists of bar-stocks made of steel and alloys whose prices are volatile. Also, the orders are received monthly and quarterly, which are of fixed prices, exposing its profitability to volatility associated with raw material prices. However, as articulated by the management, Omnitech has price variation clause, with all its customers limiting its risk to volatility in raw material prices. Furthermore, the company derives most of its revenue from export market as against limited imports, and the company manages its foreign exchange risk by using packing credit loan in foreign currency (PCFC) limit as well

as entering forward contracts. The sales contract also has implicit forex hedging terms. However, Omnitech has not devised any formal foreign exchange hedging policy, which may result in forex gain/loss.

### Liquidity: Adequate

Omnitech has adequate liquidity marked by positive CFO of Rs.38.04 crore, healthy cash accruals vis-à-vis debt repayment obligations and moderate working capital limit utilization. Omnitech generated cash accruals of Rs.53.68 crores in FY24 and is expected to generate cash accruals of ~Rs.70-110 crore in FY25-FY27 as against scheduled debt repayment obligations of Rs.22-27 crore during same time period. Furthermore, the company's average fund based working capital utilization remained at ~70% in last 12 months ended in December 2024 [PY: 50% p.a.]. However, unencumbered cash and bank balance remained low at Rs.1.73 crore as on March 31, 2024.

### Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Industrial Products	Other Industrial Products

Omnitech Engineering Limited (Omnitech), formerly Omnitech Engineering, was initially promoted by Mr. Uday A. Parekh and Mrs. Kinneriben U. Parekh as a partnership firm and started its operations in 2006. Subsequently, it was converted into a private limited company in August 2021 and further it got converted into a public limited company in October 2024. The company is engaged in manufacturing of turned and machined parts which are precision engineering products catering to various industries such as oil & gas, power, agriculture and earth moving equipment, hydraulics, airport ground support equipment and automation & valve. These are customized products/parts which are manufactured as per customer specifications from stainless steel and alloy bars, forging and casting products. It has presence in India as well as export market (around 15 countries).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1 FY25 (UA)
Total operating income	180.60	190.69	129.25
PBILDT	67.66	68.41	46.53
PAT	37.37	23.99	12.80
Overall gearing (times)	0.86	2.41	2.03
Interest coverage (times)	7.79	5.01	3.45

A: Audited UA: Unaudited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** None

**Any other information:** Not Applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	31/05/2031	50.23	CARE BBB; Stable
Fund-based - LT/ ST-Cash Credit		-	-	-	35.00	CARE BBB; Stable / CARE A3+
Non-fund-based - ST-Loan Equivalent Risk		-	-	-	2.50	CARE A3+

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	50.23	CARE BBB; Stable	-	1)CARE BBB; Stable (26-Mar-24)	1)CARE BBB; Stable (21-Mar-23)	1)CARE BBB; Stable (25-Feb-22) 2)CARE BBB; Stable (01-Apr-21)
2	Fund-based - LT/ ST-Cash Credit	LT/ST	35.00	CARE BBB; Stable / CARE A3+	-	1)CARE BBB; Stable / CARE A3+ (26-Mar-24)	1)CARE BBB; Stable / CARE A3+ (21-Mar-23)	1)CARE BBB; Stable / CARE A3+ (25-Feb-22) 2)CARE BBB; Stable / CARE A3 (01-Apr-21)
3	Non-fund-based - ST-Loan Equivalent Risk	ST	2.50	CARE A3+	-	1)CARE A3+ (26-Mar-24)	1)CARE A3+ (21-Mar-23)	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not Applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Cash Credit	Simple
3	Non-fund-based - ST-Loan Equivalent Risk	Simple

### **Annexure-5: Lender details**

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

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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### About us:

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