

MARCH 01, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF ORIENT ABRASIVES LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	55 (enhanced from Rs.32.47 crore)	CARE A [Single A]	Reaffirmed
Short-term Bank Facilities	10 (Enhanced from Rs.5 crore)	CARE A1+ [A One Plus]	Reaffirmed
Total Facilities	65 (Rupees Sixty Five crore only)		

Rating Rationale

The ratings assigned to the bank facilities of Orient Abrasives Limited (OAL) continue to derive strength from the experience of the promoters, established track record of operations, OAL's moderate position in the abrasives grain industry, operational efficiency on account of captive mines and power plants and healthy financial risk profile. The ratings are, however, constrained by the relatively small scale of operations, susceptibility of profitability margins to volatility in the raw material prices and power costs and increasing working capital intensity of operations.

Going forward, OAL's ability to increase its scale of operations, maintain its profitability by effectively managing raw material price volatility while maintaining its capital structure and liquidity position in light of the proposed capital expenditure plans would remain the key rating sensitivities.

Background

OAL was incorporated in 1971 by Late Mr R L Rajgarhia and Mr S G Rajgarhia. Mr S G Rajgarhia and family sold their stake in the company to Bombay Minerals Ltd (BML), subsidiary of Ashapura Minechem Ltd (an Ashapura Group company), which currently holds 39.10% stake in the company along with Cura Holdings Limited having a combined stake of 63.07% as on December 31, 2015. OAL primarily operates in two segments i.e. (a) Fused aluminum oxide grains including calcined products, monolithic, and (b) generation of power. Till FY11 (refers to the period April 1 to March 31) OAL also had a refractory division (established in 1985) which was demerged with effect from April 1, 2011, into separate new entity named Orient Refractories Ltd (ORL). OAL's manufacturing facility is located at Porbandar (Gujarat) with installed capacity of 28,500 metric tonnes per annum (MTPA) for Fused Aluminium Oxide Abrasive Grains, 74,250 MTPA of Calcined Products, 28,000 MTPA of Monolithic as on March 31, 2015. OAL has a total thermal power plant capacity of 18 MW at Porbandar (Gujarat) out of which 9 MW is based on coal and 9 MW on furnace oil. In 2010, OAL had set up windmills of the total power generation capacity of 11.1 MW located at Jodhpur & Jaisalmer in Rajasthan and Kalmangi &

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Gajendragarh in Karnataka. The power generated by these windmills is sold to the respective state power distribution companies.

In FY15, the company achieved a total operating income of Rs.183.11 crore and PAT of Rs.12.31 crore as against a total operating income of Rs.174.48 crore with a PAT of Rs.7.06 crore in FY14. For H1FY16 (Provisional results; refers to the period April 01 to September 30), the company has reported total operating income of Rs.119.66 crore with PAT of Rs.13.53 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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