

APRIL 21, 2015

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	32.47	CARE A [Single A]	Reaffirmed
Short term Bank Facilities	5.0	CARE A1+ [A One Plus]	Reaffirmed
Total Facilities	37.47		

Rating Rationale

The ratings of 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 susceptibility of profitability margins to volatility in the raw material prices and power costs and relatively small scale of operations.

Going forward, OAL's ability to increase its scale of operations and maintain its profitability by effectively managing raw material price volatility would remain the key rating sensitivities.

Background

Orient Abrasives Limited (OAL), incorporated in 1971 by the Late R L Rajgarhia, is a part of Rajgarhia Group of Industries. 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 01-Apr-2011 into separate new entity named Orient Refractories Ltd (ORL). OAL is currently being managed by Shri Gopal Rajgarhia.

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, 2014. OAL has a total thermal power plant capacity of 18 MW at Porbandar (Gujarat) out of which 9MW is based on coal and 9MW 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 & Gajendragarh in Karnataka. The power generated by these windmills is sold to the respective state power distribution companies.

During FY14 (refers to the period April 01 to March 31), the company reported total operating income of Rs.173.97 crore (Rs.182.70 crore in FY13) with PAT of Rs.7.06 crore (Rs.15.95 crore in FY13). In 9MFY15 (refers to the period April 01 to December 31), the company has reported total operating income of Rs.141.02 crore with PAT of Rs.11.72 crore.

Analyst Contact

Name: Ms. Ankita Sehgal

Tel: 011-45333226

Email: ankita.sehgal@careratings.com

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

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

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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.

CONTACT

Head Office Mumbai

Mr. D.R. Dogra

Managing Director
 Mobile: +91-98204 16002
 E-mail: dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director
 Mobile: +91-98204 16001
 E-mail: rajesh.mokashi@careratings.com

Ms. Meenal Sikchi

Vice President - Bank Loan & Instrument Rating
 Mobile: +91-9819009839
 E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva

Vice President - Bank Loan & Financial Services
 Mobile: +91-9819698985
 E-mail: ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

Other Office:

503, Kaledonia, Sahar Road, Near Andheri Railway Station, Andheri (E), Mumbai - 400 069
 Tel: +91-22-6144 3456 | Fax: +91-22-6144 3556

AHMEDABAD**Mr. Mehul Pandya**

32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015
 Cell: +91-98242 56265
 Tel: +91-79-4026 5656
 E-mail: mehul.pandya@careratings.com

JAIPUR**Mr. Harsh Raj Sankhla**

304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.
 Cell: +91 - 94139 69100
 Tel: +91-141-402 0213 / 14
 E-mail: harshraj.sankhla@careratings.com

BENGALURU**Mr. Dinesh Sharma**

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.
 Cell: +91-99000 41975
 Tel: +91-80-4115 0445, 4165 4529
 E-mail: dinesh.sharma@careratings.com

KOLKATA**Ms. Priti Agarwal**

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.
 Cell: +91-98319 67110
 Tel: +91-33- 4018 1600
 E-mail: priti.agarwal@careratings.com

CHANDIGARH**Mr. Sajan Goyal**

2nd Floor, S.C.O. 196-197, Sector 34-A,
 Chandigarh - 160 022.
 Cell: +91 99888 05650
 Tel: +91-172-5171 100 / 09
 Email: sajan.goyal@careratings.com

NEW DELHI**Ms. Swati Agrawal**

13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.
 Cell: +91-98117 45677
 Tel: +91-11-4533 3200
 E-mail: swati.agrawal@careratings.com

CHENNAI**Mr. V Pradeep Kumar**

Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.
 Cell: +91 98407 54521
 Tel: +91-44-2849 7812 / 0811
 Email: pradeep.kumar@careratings.com

PUNE**Mr. Rahul Patni**

9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.
 Cell: +91-78754 33355
 Tel: +91-20- 4000 9000
 E-mail: rahul.patni@careratings.com

HYDERABAD**Mr. Saikat Roy**

401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.
 Tel: +91-40-4010 2030
 E-mail: saikat.roy@careratings.com

CIN - L67190MH1993PLC071691