Oriental EPC Private Limited

June 25, 2020

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long-term Bank Facilities	15.00	**CARE C; Stable ISSUER NOT COOPERATING* (Single C; Stable ISSUER NOT COOPERATING*)**	Issuer not cooperating; Revised from CARE BB+; Stable; ISSUER NOT COOPERATING (Double B Plus, Outlook: Stable; ISSUER NOT COOPERATING ; on the basis of best available Information)
Long-term/ Short-term Bank Facilities	35.00	**CARE C; Stable/ CARE A4 ISSUER NOT COOPERATING* (Single C; Stable / A Four ISSUER NOT COOPERATING*)**	Issuer not cooperating; Revised from CARE BB+; Stable/CARE A4+ ISSUER NOT COOPERATING (Double B Plus, Outlook: Stable; / CARE A Four Plus; ISSUER NOT COOPERATING ; on the basis of best available Information)
Total Facilities	**50.00 (Rupees Fifty Crore only)**		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated April 02, 2019, placed the rating of Oriental EPC Private Limited (OEPCPL) under the 'issuer non-cooperating' category as OEPCPL had failed to provide information for monitoring of the rating. OEPL continues to be non-cooperative despite repeated requests for submission of information through emails/ letter dated May 08, 2020. Further, OEPCPL has also not provided 'Default if any' statements for past more than 12 months. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE'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.

Detailed description of the key rating drivers

Revision in ratings of OEPCPL takes into account decline in the group's scale of operations followed by deterioration in the liquidity position of the company. It also takes into account delays in repayments of term loans by its 100% holding company – Oriental Enterprise Pvt Ltd (OEPL).

Key Rating Weaknesses

Modest scale of operations with weak overall gearing

During FY19, OG's TOI declined by ~10% y-o-y to Rs.104.77 crore. The decline in TOI of OG group is mainly due to decline in scale of operations of both the companies during FY19. Furthermore, OG continued to have a weak capital structure marked by overall gearing of 3.18x as on March 31, 2019, due to its low networth base, high amount of unsecured loans and sizeable working capital bank borrowings.

On-going delays in debt servicing by OEPL (100% holding company of OEPCPL):

As per telephonic interaction with one of the bankers of OEPL dated June 24, 2020, the banker has confirmed that there are delays / irregularities in repayment of installments of term loan by the company and the account is overdue. Additionally, the company has not submitted monthly NDS for more than a year.

Working capital intensive nature of operations

The operations of OG are working capital intensive in nature, with investment required in both receivables and inventory. A milestone based billing and need to hold inventory for supplies to be made under its EPC contracts translates into a considerable inventory holding period, particularly for OEPCPL. Also, the retention money held by debtors leads to increase in amount of receivables. OG's working capital requirements are being funded through a mix of working capital borrowings and internal accruals. During FY19, OG's operating cycle further elongated to 172 days further due to increase

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*
**Issuer did not cooperate; Based on best available information*

in inventory and collection period deteriorating the liquidity position of OG. The deterioration in liquidity position of the company is also witnessed by delays in repayments of term loan installments by OEPL.

Vulnerability of profitability to volatile raw material prices
A sizeable part of OG's operations includes fabrication using various metals and EPC of projects consisting of these items. A considerable order execution period of 150-180 days exposes OG to volatility in the prices of metals, which are its primary raw material. However, OEPL builds in variation in raw material prices to a certain extent while taking orders from its customers to mitigate the price fluctuation risk. Also, OG books a substantial part of its raw material requirement immediately based on receipt of order to reduce the effect of volatility on its profitability.

Key Rating Strengths

Experienced promoters
The promoters of OG, Mr. Vishwesh Patel and Mr. Pranjal Patel, have over two decades of experience in the capital goods industry. Mr. Jigar Patel, another key director, is also technically qualified and experienced in the capital goods industry. The management is supported by a team of qualified personnel to look after various aspects of business including operations, marketing and finance. Further, the promoters have demonstrated continued support towards OG's operations with infusion of unsecured loans, which stood at Rs.19.41 crore as on March 31, 2019.

Analytical approach: Consolidated
A consolidated view of OEPL and its wholly owned subsidiary OEPCPL has been considered for analysis due to their common management, parent – subsidiary relationship and their operational linkages. OEPL and OEPCPL have been together referred to as Oriental Group (OG).

Applicable Criteria
Policy in respect of Non-cooperation by issuer
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
CARE's methodology for manufacturing companies
Financial ratios – Non-Financial Sector
Rating Methodology: Factoring Linkages in Ratings

About the Company
Oriental EPC Private Limited (OEPCPL; formerly known as Oriental Nicco Projects Pvt. Ltd.) is 100% subsidiary of Oriental Enterprise Private Limited (OEPL).
OEPL was formed in February 2013 by merging two group entities namely Sarabhai Machinery Private Limited (SMPL) and Oriental Manufacturers Private Limited (OMPL).OEPL operates two divisions, a manufacturing division with facilities located at Vadodara and a capital goods trading division. OEPL's manufacturing division is engaged in production of process equipment like centrifuges, heat exchangers, pressure vessels, reactors and vehicle washing machines. OEPL's trading division is involved in import and distribution of various machines made by reputed international manufacturers used in industries such as textiles, chemicals, rubber and packaging.
OEPCPL is engaged in the business of Engineering, Procurement and Construction (EPC) of projects on a turnkey basis for steel, power, oil & gas, petrochemical and chemical industry.
OEPCPL was incorporated with an objective to acquire the project division of Nicco Corporation Limited (NCL). The project division of NCL was established in 1986. The acquisition was completed in FY15 and under the arrangement all technical know-how, human capital and on-going projects were transferred to OEPCPL.

Brief Financials (Rs. crore)_Consolidated	FY18 (A)	FY19 (A)
Total operating income	116.94	104.77
PBILDT	12.74	13.42
PAT	1.93	1.92
Overall gearing (times)	3.18	3.18
Interest coverage (times)	1.51	1.73

A: *Audited*

Brief Financials (Rs. crore)_Standalone OEPCPL	FY18 (A)	FY19 (A)
Total operating income	58.03	53.13
PBILDT	6.92	7.18
PAT	1.32	0.91
Overall gearing (times)	1.87	1.40
Interest coverage (times)	1.85	1.47

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

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	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	15.00	CARE C; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Non-fund-based - LT/ ST-BG/LC	-	-	-	35.00	CARE C; Stable / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* on the basis of 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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	15.00	CARE C; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (02-Apr-19)	-	1)CARE BB+; Stable (16-Feb-18)
2.	Non-fund-based - LT/ ST-BG/LC	LT/ST	35.00	CARE C; Stable / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* (02-Apr-19)	-	1)CARE BB+; Stable / CARE A4+ (16-Feb-18)

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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