



Press Release

Oplus Casting Private Limited

April 22, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings Assigned	Rating Action
1	Long-Term Bank Facility-Term Loan (Proposed)	8.00	Provisional IVR BBB- (CE)*/Stable Outlook (IVR Triple B Minus [Credit Enhancement] with Stable Outlook)	Assigned
2.	Long-Term Bank Facility-Cash Credit (Proposed)	2.00	Provisional IVR BBB- (CE)*/Stable Outlook (IVR Triple B Minus [Credit Enhancement] with Stable Outlook)	Assigned
	Total	10.00		

**Based on provisional unconditional and irrevocable corporate guarantee from Swati Concast & Power Private Limited*

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Oplus Casting Private Limited (OCPL) derives comfort from its experienced promoters and proposed corporate guarantee from Swati Concast & Power Private Limited (SCPPL). This proposed corporate guarantee results in credit enhancement in the rating of the said bank facilities to **Provisional IVR BBB-(CE)/Stable Outlook (IVR Triple B Minus [Credit Enhancement] with Stable Outlook)** against the unsupported rating of **IVR BB+/Stable (IVR Double B Plus with Stable Outlook)**. Further, the ratings also derive strength from its locational advantage and association of reputed consultants to guide the project implementation. However, these rating strengths are constrained by non-achievement of financial closure, project execution risk and exposure to inherent cyclicity in the steel industry.

Key Rating Sensitivities

Upward factors

- Timely completion of the project and earning as envisaged
- Continuance of Support from the corporate guarantor and the promoters



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Downward factors

- Cost overrun or delay in completion of projects
- Failure to achieve financial closure

List of Key Rating Drivers with detailed description

Key Rating Strengths

Experienced promoters

OCPL is currently managed by the promoter directors Mr. Ayush Kejriwal and Mrs. Nisha Kejriwal who have considerable experience in the iron and steel industry through another company, SCPPL. They are well supported by a team of experienced and qualified professionals in managing the affairs of the company.

Locational advantage

The manufacturing facility of OCPL is being set up at Giridih, Jharkhand, which is known as steel hub and is in close proximity to various manufacturers of steel products. Further, the key raw material required by OCPL i.e., hot metal will be supplied by its group concern SCPPL whose plant is adjacent to OCPL's plant, thereby reducing freight cost.

Association of reputed project consultants to guide the project implementation

To guide the project implementation in an effective manner, the company has appointed experienced, reputed and well-known consultants & design companies to guide the project implementation.

Proposed corporate guarantee from SCPPL

SCPPL has proposed to extend corporate guarantee for the bank facilities proposed to be taken by OCPL. SCPPL is engaged in the manufacturing of Foundry Grade Pig Iron and Steel Grade Pig Iron at the same location since 2003 and has an established presence in the state of Jharkhand. Going forward, Infomerics believes timely, need based financial support will also be extended by the corporate guarantor, in case of pressure on cash flows.



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Key Weaknesses

Financial closure yet to be achieved

The project is under implementation stage. The term debts are yet to be tied up indicating high funding risk for the project. The management is still in negotiation with various bankers for sanction of term loan. The promoters have already infused Rs.2.50 crore in the form of equity and unsecured loans for the project till March 31, 2020. Also, on account of the current COVID-19 situation, the project is on hold and the development will start at full pace once the lockdown ends and the situation normalises. The long implementation period makes the company susceptible to time and cost overruns.

Project execution risk

The project has significant implementation risk, as of now, due to its current nascent stage of project execution. Given the targeted timeline for commencement of operation, the project is exposed to the risk of time overrun and consequential cost overrun.

Cyclicalities in the steel industry

The steel industry is characterised by its inherent cyclicalities. The industry is sensitive to the shifting business cycles, including changes in the general economy, interest rates and seasonal changes in the demand and supply conditions in the market. This is likely to keep the profitability and cash flows of all the players in the industry, including OCPL, volatile going forward.

Analytical Approach:

Credit Enhancement (CE) rating: Assessment of the credit profile of SCPPL, provider of corporate guarantee to OCPL.

Unsupported rating: Standalone

Applicable Criteria

Rating Methodology for Manufacturing Companies

Rating Methodology for Structure Debt Transaction (Non-Securitisation Transaction)

Financial Ratios & Interpretation (Non-financial Sector)



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Liquidity: Adequate

The project is in its implementation stage and is expected to commence operations from April, 2021 onwards. The financial closure is yet to be achieved. However, the proposed loan is expected to be repaid in 24 quarterly instalments commencing from July, 2022 onwards subject to timely sanction of the loan. However, the support from the corporate guarantor, Swati Concast and Power Private Limited and presence of resourceful promoters do not indicate much difficulty for the company in meeting its debt obligations in the medium term and the liquidity of the company is expected to remain adequate.

About the Company

Incorporated on October 24, 2019 by the Jharkhand based Kejriwal family, Oplus Casting Private Limited (OCPL) was set up with the objective to set up a unit for the manufacturing of Counter weight (up to 6 ton single casting weight) which is one of the integral part of heavy equipment's like crane, forklift, excavator etc at Giridih, Jharkhand. The total cost of the project is estimated to be Rs.14.70 crore which is to be funded by a debt equity ratio of 1.19x. The tentative COD for the project is April, 2021.

Financials: Since OCPL got incorporated on October, 2019 and is yet to commence commercial production, there is no audited financials for the company as on date.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan (Proposed)	Long Term	8.00	Provisional IVR BBB-(CE)/Stable	-	-	-



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2.	Cash Credit (Proposed)	Long Term	2.00	Provisional IVR BBB-(CE)/Stable	-	-	-

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Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan (Proposed)	-	-	-	8.00	Provisional IVR BBB-(CE)*/Stable
Cash Credit (Proposed)	-	-	-	2.00	Provisional IVR BBB-(CE)*/Stable

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