



Press Release

Omnitech Engineering Limited (OEL)
(Formerly Omnitech Engineering Private Limited)
April 04, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities	247.26 (Enhanced from Rs.182.72 Crore)	IVR BBB+/ Stable (IVR Triple B plus with Stable Outlook)	IVR BBB+/ Stable (IVR Triple B plus with Stable Outlook)	Reaffirmed	Simple
Proposed Long Term Bank Facilities	21.51	IVR BBB+/ Stable (IVR Triple B plus with Stable Outlook)	IVR BBB+/ Stable (IVR Triple B plus with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities	45.41 (Enhanced from Rs.4.14 Crore)	IVR A3+ (IVR A Three plus)	IVR A3+ (IVR A Three plus)	Reaffirmed	Simple
Total	314.18 (Enhanced from Rs. 212.13 Crore)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has reaffirmed its rating assigned to the bank facilities of Omnitech Engineering Limited which derive strength from long experience of promoter in the precision components manufacturing industry, established operations with continuous addition of new machines, reputed customer base along with geographically diversified revenue profile, healthy profitability and comfortable debt coverage indicators.

However, the rating is constrained due to Working capital intensive operations with elongation of operating cycle, limited bargaining power against OEMs, susceptibility of profit margins to volatility in raw material prices and forex rates.

The stable outlook reflects experienced management, capex completion and expected healthy accruals.



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Key Rating Sensitivities:

Upward Factors

- Significant growth in its scale of operations with TOI of over Rs. 400 Cr while maintain healthy EBITDA margin of more than 30% on a sustained basis.
- Improved in its capital structure with overall gearing below 1.50x times on sustained basis

Downward Factors

- Deterioration in its overall gearing above 2.0 times.
- Deterioration in its profitability margins marked by EBITDA of below 20% on a sustained basis.
- Elongation of operating cycle beyond 180 days.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long experience of promoter in the precision components manufacturing industry**

Mr. Udaybhai A. Parekh, Chief Executive Officer (CEO) and Director, has more than two-decades long experience in the precision components manufacturing industry. He is well assisted by Mr. Paras Parekh, who is the Chief Operating Officer (COO) of the company and both of them look after overall administration and day-to-day operations of the company.

- **Established operations with continuous addition of new machines**

The company has established operations with track record of more than one and a half decades in manufacturing of turned and machined parts like cylinder liner, piston, gear box, shafts, connecting rod etc. which are precision engineering products/parts. Its manufacturing facility and processes are accredited with various certification viz. ISO 9001, ISO 14001, ISO 45001, AS9100, IATF 16949. API Q1, API 7-1, API 5CT, Certified for oil and gas. Over the years Omnitech has added various type machines



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to strengthen its capability to manufacture precision parts as per customer specifications.

- **Reputed customer base along with geographically diversified revenue profile**

Omnitech is primarily engaged in exports of the precision components and 76% of its TOI came from exports in FY24. The exports of the company constitute majority of its clients in USA and EU region. The company primarily caters directly to the requirements of the Original Equipment Manufacturer (OEMs). Omnitech has reputed customer base due to its specialized products, precision and various accreditations and product quality and thereby 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 industry. Also, company is targeting customers in renewable segment. The customer base of the company remained diversified marked by top 5 customers forming 11% of its total income in FY24.

- **Healthy profitability**

Omnitech is essentially into manufacturing of precision components for various industries which are critical in nature, and hence, commands healthy profit margins on the same. In addition to that, since the company caters to reputed customers in the USA and Europe and provides just in-time services as well which results in better sales realization. The company's Total operating income increased from Rs.177.35 in FY23 to Rs. 187.70 crore in FY24 to Rs. 300Cr in 11MFY25. The company's EBITDA margin remained healthy at 34.88% in FY24 and 35.50 in FY25 with growing scale and addition of new machines with better efficiency as well as new product resulted in better margins, and subsequently, the return ratios of the company also remained healthy with ROCE of 19.50% in FY24.

- **Comfortable debt coverage indicators though moderation in capital structure**

Capital structure of Omnitech had moderated as marked by its overall gearing ratio of 2.94 times as on March 31, 2024 and 1.63x as on March 31, 2023 on account of increase in term loans towards purchase of new plant and machineries and increase in working capital



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borrowings to support its growing scale of operations however it is expected to moderate to 1.39x times as on March 31, 2025 owing to equity infusion of Rs. 81.84 crore in FY25. The debt coverage indicators of Omnitech also remained at comfortable level as marked by Interest coverage ratio of 4.80 times as on March 31, 2024.

- **Benefit of Capex undertaken to lead to higher accruals:**

The company has done capex to the tune of FY2023-2025 to the tune of ~Rs. 235.0 crore funded by a mix of debt and equity. The same has been completed in phased wise manner leading to an increase in machines from 161 in FY2023 to 247 in FY2024 and 292 in FY2025. This has led to an increase in turnover from ~Rs. 187 crores in FY2024 to expected ~Rs. 323 crores in FY2025 and expected to further increase to ~Rs. 427 crores in FY2026.

Key Rating Weaknesses

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

The company is engaged in making precision components of various sizes, types and specifications catering to diversified industry segments and set up a warehouse in the USA to decrease lead time to its customers. Also, the company purchases raw materials at time of receipt of new contracts to mitigate raw material fluctuation risk; though Omnitech has price escalation clause and terms for fixation of foreign exchange rates present in many of its sales contracts. Though, considering multiple products, transit time of 60-90 days and execution period led to high inventory days. Further, the company provides clean credit to its customers for around 60-90 days. However, the payment to the creditors of the company needs to be completed in around 10 days resulting in high working capital intensity.

- **Limited bargaining power against OEMs**



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Omnitech caters to reputed companies in USA 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 as per client requirement to remain competitive in business as it competes with large, organized players for export orders.

- **Susceptibility of profit margins to volatility in raw material prices and forex rates**

The company's key raw materials consist of bar-stocks made of steel and alloys whose prices are volatile in nature. Also, the orders are received on a monthly and quarterly basis which are at fixed prices in nature exposing its profitability to volatility associated with raw material prices. But, as articulated by management, Omnitech has a price variation clause with all of its customers limiting its risk to volatility in raw material prices. The company derives majority of its revenue from the export market as against imports remained limited and the company manages its foreign exchange risk by using PCFC limit and engaging itself into forward contracts as per market condition and through implicit forex hedging terms in the sales contract.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)



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Liquidity –Adequate

The company has a current ratio of 1.06x in FY24. The firm is expected to generate GCA in the range of ~Rs.74 crore to Rs.114 Crore during the projected period. Further, cash and bank balance is expected to be in the range of Rs.5.49 crore-Rs. 12 Crore during the projected period. Average CC utilisation for past 12 months ending December 2024 stood at 72%

About the Company

Omnitech Engineering Limited, (formerly Omnitech Engineering Private Limited) is promoted by Mr. Uday A. Parekh and Mrs. Kinneriben U. Parekh. It was started as a partnership firm on September 01, 2006 and then converted into private limited company in August 2021. Now the company has been converted into limited company on October 24, 2024. The company has established operations with track record of more than one and a half decades in manufacturing of turned and machined parts like pistons, stem, mandrils, couplings and connectors, shafts, hubs, cylinders and gear rings, etc. which are precision engineering products/parts. The company is engaged in manufacturing of turned and machine parts which are precision engineering products catering to various industries like oil & gas, power, agriculture, and earth moving equipment, hydraulics, airport ground support equipment, automation, and valve etc. 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).

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	177.35	187.79
EBITDA	62.89	65.50
PAT	33.33	24.79
Total Debt	88.82	231.47
Adjusted Tangible Net Worth	54.37	78.76
EBITDA Margin (%)	35.46	34.88
PAT Margin (%)	18.13	12.92
Overall Gearing Ratio (x)	1.63	2.94
Interest Coverage (x)	6.77	4.80

* Classification as per Infomerics' standards.



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Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (FY2025-26)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in FY2023-24	Date(s) & Rating(s) assigned in FY 2022-23	Date(s) & Rating(s) assigned in FY2021-22
					Date (January 10, 2024)	-	-
1	Term Loan	Long Term	142.26	IVR BBB+/Stable	IVR BBB+/Stable	-	-
2	Cash Credit	Long Term	105.00	IVR BBB+/Stable	IVR BBB+/Stable	-	-
3	Proposed	Long Term	21.51	IVR BBB+/Stable	IVR BBB+/Stable	-	-
4	Export Packing credit	Short Term	15.00	IVR A3+	-	-	-
5	Letter of Credit	Short Term	20.00	IVR A3+	-		
6	PSR	Short Term	5.00	IVR A3+	-		
7	Loan Equivalent risk	Short Term	2.50	IVR A3+	IVR A3+	-	-
8	Credit Equivalent Exposure	Short Term	1.91	IVR A3+	IVR A3+	-	-
9	Outlay Under Equipment	Short Term	1.00	IVR A3+	-		

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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan I	-	-	-	August 2027	0.77	IVR BBB+/Stable
Term Loan III	-	-	-	January 2029	8.01	IVR BBB+/Stable
Term Loan IV	-	-	-	July 2033	12.99	IVR BBB+/Stable
Term Loan V	-	-	-	March 2033	30.00	IVR BBB+/Stable
Term Loan I	-	-	-	February 2032	20.27	IVR BBB+/Stable
Term Loan II	-	-	-	February 2032	25.22	IVR BBB+/Stable
Term Loan I	-	-	-	January 2032	20.00	IVR BBB+/Stable
Term Loan II	-	-	-	January 2032	25.00	IVR BBB+/Stable
Cash Credit	-	-	-	-	70.00	IVR BBB+/Stable
Cash Credit	-	-	-	-	35.00	IVR BBB+/Stable
Export Packing Credit	-	-	-	-	15.00	IVR A3+
Loan Equivalent Risk	-	-	-	-	2.50	IVR A3+
Credit Equivalent Exposure	-	-	-	-	1.91	IVR A3+
Outlay under equipment Finance	-	-	-	-	1.00	IVR A3+
PSR	-	-	-	-	5.00	IVR A3+
LC	-	-	-	-	20.00	IVR A3+



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Proposed	-	-	-	-	21.51	IVR BBB+/Stable
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Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Omnitech-Engineering-apr25.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

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.