March 25, 2025

Orson Holdings Co. Ltd: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – Fund-based working capital (includes EPC/PCFC)	19.09	19.09	[ICRA]BBB (Stable); reaffirmed
Short term – Non-fund based – Letter of Credit	8.00	8.00	[ICRA]A3+; reaffirmed
Short Term – Non-fund based – Forward Contract	0.49	0.49	[ICRA]A3+; reaffirmed
Total	**27.58**	**27.58**	

**Instrument details are provided in Annexure I*

Rationale

The reaffirmation of the ratings continues to factor in the extensive track record of Orson Holdings Co. Ltd. (OHCL) in the LPG valve manufacturing business with repeat orders from its reputed overseas clients, reflecting the reliable quality of its products. The clientele primarily includes cylinder manufacturers, oil refineries and gas distribution companies. OHCL has a diversified product portfolio, supported by regular modernisation of its production facility, which helps to meet the varied requirements of its clients. The ratings also factor in the sustenance of comfortable revenue in FY2024 and 9M FY2025 along with a conservative capital structure and strong debt coverage metrics owing to its limited borrowings and satisfactory absolute profitability levels.

The ratings are, however, constrained by a sharp increase in the entity's receivable days because of a high transit time, resulting in a stretch in the working capital cycle. This has led to a high utilisation of the working capital limits with almost 90% utilisation in December FY2024. The entity has also utilised the available FD balance to support its working capital requirement. Any further stretch in the working capital cycle impacting the liquidity position would be credit negative and ICRA will continue to monitor the developments.

The ratings also remain constrained by high customer and geographical concentration risks with a major portion of the revenue being derived from a few large customers in the European countries. The company also remains exposed to the foreign exchange rate fluctuation risk as its sales are mainly derived from exports. This risk is partially mitigated by the natural hedge from the part import of raw materials and the hedging of forex risks through forward cover.

In addition, the ratings remain exposed to the vulnerability of the company's profitability to adverse fluctuation in raw material prices. Although most of the company's contracts with the customers have price variation clauses, OHCL's profitability still remains exposed to any sharp fluctuation in raw material prices, given the quarterly lag in price adjustment and the revision of the contracts annually. The company's operating margin was adversely impacted in FY2023 and FY2024; however, it is likely to improve with a revival in demand and sustenance of firm realisations in the current fiscal.

The Stable outlook on the [ICRA]BBB rating reflects ICRA's opinion that OHCL's limited borrowing and adequate liquidity are likely to keep its credit profile comfortable despite the volatility in its operating margin witnessed in recent years.

Key rating drivers and their description

Credit strengths

Extensive track record in LPG valve manufacturing industry – OHCL, established in 1982, manufactures LPG valves at its plant in Kolkata. The company has a diversified product profile comprising compact valves, hand wheel type valves, jumbo valves, camping valves, FLT valves, refrigerant valves and other varieties. OHCL is an export-oriented company and caters mainly to cylinder manufacturers and companies in the oil and gas sector abroad, especially based in Europe. The company has technologically advanced equipment installed at its facility and has approvals as per the European directive as it adheres to European standards and the LPGA Code of Practice. The company has also attained a KOTC (Kuwait Oil Tankers Company) approval in the current year and is in line for a SASO approval, opening it up to the West Asian market.

Established relationships with reputed overseas clients reduce counterparty risk; repeat orders from such clients indicate acceptable product quality – OHCL's revenue is mainly derived from exports to the European countries. OHCL has a reputed and established client base, comprising cylinder manufacturers and oil and gas companies based in countries like Portugal, Germany, Spain, Norway, the UK, France etc. The company has been able to generate repeat orders from reputed overseas clients, reflecting the acceptable quality of its products and mitigating the counterparty risk to a large extent. It is also expecting sizeable orders from the US market, further establishing its product quality.

Conservative capital structure and strong debt coverage metrics – The company's capital structure remained conservative with nominal long-term loans as on March 31, 2024. Further, healthy accretion to the reserves and limited debt resulted in a low gearing of 0.3 times (0.2 times as on March 31, 2023). The company's conservative capital structure and comfortable profits at an absolute level supported its debt coverage indicators in FY2024. Though the coverage indicators moderated, they still remained comfortable, reflected in an interest coverage of 8.7 times (14.1 times in FY2023) and net cash accruals relative to the total debt of 35% (85% in FY2023).

Credit challenges

Increased working capital cycle owing to stretched receivables - The overall shipment days to Europe have increased, impacting the working capital cycle. The receivable days have risen to over 130 days in FY2024 from 83 days in FY2023, resulting in high utilisation of the working capital limits with the current limit utilisation at around 87% in December 2024. The entity has also utilised the available FD balance to support its working capital requirement. Any further stretch in the working capital cycle impacting the liquidity position would be credit negative and ICRA will continue to monitor the developments.

Exposed to customer and geographical concentration risks – The company remains exposed to significant customer concentration risk, with the top 10 customers accounting for around 88% of the total revenues in FY2024. The company's major clients are based in a few countries in Europe, exposing it to geographical concentration risks, too. However, OHCL is gradually expanding its presence in new geographies, including the US and West Asia, which is likely to mitigate its customer and geographical concentration risks to an extent.

Susceptible to forex risk - Significant dependence on exports exposes OHCL to risks arising from the volatility in exchange rate movements. However, it imports a part of its raw materials that provides a natural hedge to some extent. Besides, the company hedges the forex risks through forward contracts.

Vulnerable to adverse fluctuation in raw material price – The company's key raw material is brass rod. Brass prices exhibit significant volatility, exposing OHCL to the risk of margin fluctuation. The risk is mitigated to an extent by the presence of price variation clauses in most of the contracts. However, the company's margins would remain vulnerable to the volatility in raw material prices as the realisations get adjusted as per the price variation clause with a quarterly lag and the prices for firm-price contracts are usually revised annually.

Liquidity position: Adequate

The company's liquidity position is likely to remain adequate. In FY2024, its cash flow from operations (CFO) moderated to a negative Rs. 6 crore from a sizeable level of Rs. 20 crore in FY2023, driven by an increase in the working capital requirements. In the current fiscal, the receivable days will continue to be high and, hence, the cash flow from operation is expected to remain negative. However, the company's nominal repayment obligations and minimal capex requirements in the current fiscal is expected to support the liquidity. The company is likely to incur a relatively high capex of ~Rs. 12 crore in FY2026 but the same is expected to be funded majorly through the entity's sizeable investment portfolio.

Rating sensitivities

Positive factors – ICRA may upgrade OHCL's ratings if the company is able to improve its scale of operations and profitability significantly while maintaining comfortable debt coverage metrics and a strong liquidity position.

Negative factors – Pressure on OHCL's ratings may arise if there is a significant decline in the company's margins and scale of operations on a sustained basis and/or if its liquidity deteriorates through continuous higher working capital utilisation.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financial statements of the entity

About the company

Orson Holdings Co. Ltd. (OHCL), established in 1982, manufactures LPG valves made of brass. It caters to cylinder manufacturers, oil refineries and gas distribution companies, primarily based in the European market. The company's manufacturing facility is in Kolkata, West Bengal, with an annual installed capacity of around 50 lakh pieces at present.

Key financial indicators (audited)

OHCL (Standalone)	FY2023	FY2024
Operating income	110.7	118.4
PAT	7.3	4.3
OPBDIT/OI	8.6%	7.7%
PAT/OI	6.6%	3.6%
Total outside liabilities/Tangible net worth (times)	0.2	0.3
Total debt/OPBDIT (times)	1.1	2.4
Interest coverage (times)	14.1	8.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

		Current (FY2025)			Chronology of rating history for the past 3 years					
		FY2025			FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund based – Term loan	Long term	-	-	-	-	-	Feb 27, 2023	[ICRA]BBB (Stable)	Dec 27, 2021	[ICRA]BBB (Stable)
Fund-based working capital (includes EPC/PCFC)	Long term	19.09	Mar 25, 2025	[ICRA]BBB (Stable)	Mar 18, 2024	[ICRA]BBB (Stable)	Feb 27, 2023	[ICRA]BBB (Stable)	Dec 27, 2021	[ICRA]BBB (Stable)
Non-fund based – Letter of credit	Short term	8.00	Mar 25, 2025	[ICRA]A3+	Mar 18, 2024	[ICRA]A3+	Feb 27, 2023	[ICRA]A3+	Dec 27, 2021	[ICRA]A3+
Non-fund based – Forward contract	Short term	0.49	Mar 25, 2025	[ICRA]A3+	Mar 18, 2024	[ICRA]A3+	Feb 27, 2023	[ICRA]A3+	Dec 27, 2021	[ICRA]A3+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term – Fund-based working capital (includes EPC/PCFC)	Simple
Short term – Non-fund based – Letter of credit	Very Simple
Short term – Non-fund based – Forward contract	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Long term – Fund-based working capital (includes EPC/PCFC)**	NA	NA	NA	19.09	[ICRA]BBB (Stable)
NA	**Short term – Non-fund based – Letter of credit**	NA	NA	NA	8.00	[ICRA]A3+
NA	**Short term – Non-fund based – Forward contract**	NA	NA	NA	0.49	[ICRA]A3+

Source: Company

Annexure II: List of entities considered for consolidated analysis – Not applicable

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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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