

Om Infra Limited

July 03, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	108.00 (Enhanced from 101.35)	CARE BBB-; Stable	Revised from CARE BB+; Stable
Long Term / Short Term Bank Facilities	630.00 (Reduced from 636.65)	CARE BBB-; Stable / CARE A3	Revised from CARE BB+; Stable / CARE A4+

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in the ratings assigned to bank facilities of Om Infra Limited (OIL) factors in healthy improvement in operational and financial performance of the company during FY23 (refers to April 1 to March 31) on the back of higher order book execution. The revision in ratings also draws comfort from improvement in liquidity position of the company owing to healthy gross cash accruals coupled with better management of working capital resulting in improvement in operating cycle. Further, the ratings derive strength from experience of the promoters, company's established track record in project execution, established market position in the EPC of hydro mechanical and irrigation projects, healthy order book position, improving operating & financial profile along with strengthening debt coverage indicators. However, the ratings are constrained on account of OIL's continued support extended to their group companies, working capital intensive nature of operations with high reliance on bank borrowings, execution risk associated with the hydro power projects and saleability risk under real estate projects.

Rating sensitivities:

Positive factors

- Sustained growth in total operating income (TOI) above Rs. 1,000 crores with continuous improvement in PBILDT margins and working capital cycle.
- Timely execution of order book resulting in improved liquidity & debt coverage indicators resulting in TD/GCA of less than 2x.

Negative factors

- Decline in total operating income below Rs. 400 crores with sustained contraction in the profitability margins & continuous elongation in operating cycle.
- Delay in execution of order book resulting in deteriorating liquidity & debt coverage indicators resulting in TD/GCA of greater than 4x.
- Adverse industry factors or macro-economic factors affecting the company.

Analytical approach: Standalone after factoring in the investments/ support towards group companies

Outlook: Stable

The 'Stable' outlook reflects CARE Ratings' expectation of sustained and healthy operating performance coupled with adequate liquidity supported by timely execution of order book, thereby improving financial risk profile over the medium term.

Detailed description of the key rating drivers:

Key strengths:

Improving scale of operations albeit moderate profitability margins: The company has achieved total operating income (TOI) of Rs. 721.05 crore in FY23 which is an improvement of ~149% over TOI of FY22 supported by high order book execution. However, PBILDT margin of the company moderated from 11.62% to 8.04% impacted due to increase in cost of raw materials, labour & job-work charges. Further, operating margins were also impacted due to higher execution of Jal Jeevan Mission order in Rajasthan having slightly lower margins compared to the other orders in hand. However, the company has turned profitable with PAT margin of 4.65% on account of increased PBILDT levels, whereas depreciation & interest cost has remained almost in the similar range of FY22. TOI & profitability of company is expected to improve in FY24 with timely execution of order book & major execution of Jal Jeevan Mission order in Uttar Pradesh (UP) having comparatively higher margins.

Healthy Order book position with improved pace of execution: The company has an outstanding order book of Rs. 3,020 crores as on March 31, 2023, which is equivalent to 4.20 times of TOI of FY23 thereby providing revenue visibility in the medium term and includes orders for Hydromechanical and Irrigation projects (Dams/Reservoirs), Water supply projects, township

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

development, EPC works of the Dam/Reservoir etc. The current order book of the company is majorly from government and quasi government entities, where the counterparty risk is low. The company seeks cost escalation from the authority depending on the period of delay. Although the progress of certain orders under hydromechanical and Irrigation projects have been slow owing to various issues like, delay in civil work, land rehabilitation issue etc. However, orders under Jal Jeevan Mission projects having unexecuted value of Rs. 1,788 crores (59% of the order book) mitigate it up to a great extent as the pace of execution is comparatively better in these projects due to government focus & lesser challenges. The receipt of the payments from these orders are also in timely manner.

Experienced Promoters: OIL is promoted by Om Kothari Group; the promoter of the company Mr. C P Kothari has an experience of about 5 decades in executing engineering contracts for hydel and irrigation projects. He is ably assisted by his two brothers who also have substantial industrial experience and look after the day-to-day affairs of the company.

Strong market position of OIL with established track record: OIL is one of the leading players in the execution of hydro mechanical projects and has been in the industry for over four decades. OIL has successfully executed more than 60 hydro mechanical and irrigation projects across India and abroad. The vast experience of OIL in such projects brings them a significant advantage while bidding orders.

Liquidity: Adequate

The company has unencumbered cash and cash equivalents Rs. 24.58 crore as on March 31, 2023. Further the company is estimated to have gross cash accruals of Rs. 66.36 crores in FY24 against debt repayment of around Rs. 5 crores. Utilization of fund based working capital limit is still high at around 90% during past 12 months (Apr'22-Mar'23). However, the same has reduced from near 100% utilization earlier. The operating cycle of the company has improved significantly from 241 days in FY22 to 99 days in FY23 majorly on account of better collection and inventory holding period on account of faster execution & payment in Jal Jeevan Mission Projects in Rajasthan & UP. Further, company has modest capex requirements mainly for additional equipment and machinery for efficient execution of orders in hand and same will be financed using internal accruals.

Key weaknesses

Moderate financial risk profile: The overall gearing of the company has slightly deteriorated from 0.23x as on March 31, 2022, to 0.27x as on March 31, 2023, primarily on account increase in mobilization advances towards project execution. The interest coverage ratio of the company has improved from 1.11x in FY22 to 2.24x in FY23 on account of higher PBILDT level during FY23 coupled with lower finance cost. Total debt to gross cash accruals (TD/GCA) improved to 3.58x as on March 31, 2023 (PY: 105.03x) owing to improved GCA level.

Working capital intensive nature of operations albeit improvement in operating cycle: The company relies on bank borrowings to finance its working capital requirements with high utilisation (~90%) of fund based working capital limits during past few months. The major clients for the company include government clients which lead to delay in the realizations owing to the long and stringent process of approval of the payments. The inventory period also stood high owing to execution of various projects at the same time. Although, the operating cycle of the company has improved significantly from 241 days in FY22 to 99 days then FY23 majorly on account of better collection and inventory holding period on account of quick execution & payment in Jal Jeevan Mission Projects in Rajasthan & UP.

High exposure to group companies: OIL has extended support to its group companies engaged in real estate and operation of toll road in the form of loans and advances, equity investments and corporate guarantees. As on March 31, 2023, the company had total investments of Rs. 369.06 crore in group companies as against Rs. 377.94 crore as on March 31, 2022.

The company has exposure of Rs.149.57 crore in its toll project under joint venture, BJTRPL and had also extended corporate guarantee for the project against which outstanding debt was around Rs.185 crore. State Govt. of Rajasthan had exempted toll collection from private vehicles from April 1, 2018, leading to lower revenue resulting in delays in debt servicing. BJTRPL had served a notice for termination of the concession agreement in respect of the toll road project on account of breach of terms & conditions and an arbitrator was appointed by Hon'ble High court of Rajasthan to resolve the matter. The Arbitrator subsequently issued an interim award u/s 17 of Arbitration Act dated October 30, 2019, directing the PWD-Rajasthan Government to deposit Rs. 191 crores in an escrow account and take back the possession of the project highway. State Government has now also allowed toll collection from private vehicles (earlier exempt since April 1, 2018) w.e.f. Nov 1, 2019. Hon'ble High court, in its order dated October 12, 2020, directed PWD, Rajasthan, to take over the project highway as directed by the Arbitrator and deposit Rs.191 crore with the lenders of BJTRPL in the escrow account till the final disposal of the appeal pending before the commercial court. However, during December 2021, Hon'ble High Court of Rajasthan ordered to allow the lenders to adjust the amount standing in credit of Escrow account against the exposure of BJTRPL. The bankers have adjusted their outstanding debt against the receipts

in escrow account and only interest component accrued during the legal proceedings is pending. Therefore, corporate guarantee given by OIL for interest portion of Rs. 19.00 crore is yet to be released by respective banks.

The company has raised various claims to the tune of Rs.609.12 crores. Arbitrator under its final award on January 30, 2023, allowed the claim amount totalling Rs. 587.64 crore after adjustment of Rs. 191.79 crore awarded by way of interim award. Company has not yet received the amount yet. However, company is entitled to interest @11% p.a. till the date of payment. Any additional investments in group concerns & receipt of amount under arbitration award will be a key monitorable.

Execution risks associated with hydro-power projects and saleability risk under real estate projects: The company is into the business of providing hydro mechanical solutions. The hydro mechanical projects include execution risks due to difficult terrain, geological conditions, and dependence on EPC contractor for construction. However, the company has diversified their business by entering into water supply projects under Jal Jeevan Mission having unexecuted value of Rs. 1,788 crores (59% of the order book) that mitigates execution risk it up to an extent as execution risk is comparatively lower in these projects. Further, the company has executed one real estate project namely Om Meadows in Kota Rajasthan under OIL and one project namely Pallacia under Om Metals Consortium Private Limited (wholly owned subsidiary). Sale of units under such real estate projects shall remain a key monitorable during current financial year.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks : Not Applicable

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Factoring Linkages Parent Sub JV Group](#)

[Construction](#)

About the company and industry:

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Industrials	Construction	Construction	Civil Construction

Om Infra Limited (erstwhile, Om Metals Infraprojects Limited), incorporated in December 1971, is the flagship company of the Om Kothari Group, which is engaged in diversified activities including turnkey solution for hydro mechanical equipment for hydro power & irrigation projects, Jal-Jeevan Mission projects, real estate development and civil construction. OIL has its main fabrication unit for hydro mechanical division in Kota, Rajasthan. OIL's total fabrication capacity is 15,000 Metric Tonnes Per Annum (MTPA). The company has also forayed into construction of Dams/Reservoirs on EPC basis, along with fabrication and installation of hydromechanical equipment.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	289.85	721.05
PBILDIT	33.67	58.00
PAT	-0.25	33.54
Overall gearing (times)	0.23	0.27
Interest coverage (times)	1.11	2.24

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	90.00	CARE BBB-; Stable
Fund-based - LT-Term Loan	-	-	-	31/03/2026	18.00	CARE BBB-; Stable
Non-fund-based-LT/ST	-	-	-	-	630.00	CARE BBB-; Stable / CARE A3

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT	18.00	CARE BBB-; Stable	-	1)CARE BB+; Stable (10-Oct-22)	1)CARE BBB-; Stable (07-Jan-22)	1)CARE BBB-; Stable (21-Dec-20)
2	Non-fund-based-LT/ST	LT/ST*	630.00	CARE BBB-; Stable / CARE A3	-	1)CARE BB+; Stable / CARE A4+ (10-Oct-22)	1)CARE BBB-; Stable / CARE A3 (07-Jan-22)	1)CARE BBB-; Stable / CARE A3 (21-Dec-20)
3	Fund-based - LT-Cash Credit	LT	90.00	CARE BBB-; Stable	-	1)CARE BB+; Stable (10-Oct-22)	1)CARE BBB-; Stable (07-Jan-22)	1)CARE BBB-; Stable (21-Dec-20)

*Long term/Short term.

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

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based-LT/ST	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:

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