

## OMBL Infraprojects Private Limited

December 20, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	17.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	83.00	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from OMBL Infraprojects Private Limited (OMBL) to monitor the ratings vide e-mail communications dated August 05, 2024, November 29, 2024, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on OMBL's bank facilities will now be denoted as **CARE BB-; Stable/CARE A4; ISSUER NOT COOPERATING\***.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

The ratings assigned to the bank facilities of OMBL continue to remain constrained by its modest and fluctuating scale of operations, elongated collection period and concentrated order book position with slow pace of execution. Further, the ratings continue to remain constrained by project execution risk inherent in various infrastructure projects and its presence in a highly competitive industry with business risk associated with tender-based orders. The ratings, however, continue to draw comfort from experienced promoters coupled with long track record of operations, moderate profitability margins, capital structure and debt coverage indicators along with price escalation clause insulating it from price volatility.

**Analytical approach:** Standalone

**Outlook:** Stable

### Detailed description of key rating drivers:

At the time of last rating on November 02, 2023, the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies):

#### Key weaknesses

##### Modest and fluctuating scale of operations

OMBL's scale of operations continue to remain modest as marked by total operating income (TOI) and gross cash accruals (GCA) of Rs 68.56 crore and Rs 4.24 crore respectively, during FY24 (refers to April 01 to March 31) as against Rs 51.95 crore and Rs 3.11 crore respectively, during FY23. The modest scale of operations in a competitive industry limits the bidding capability, pricing power and benefits of economies of scale. Moreover, OMBL's scale of operations remained fluctuating for the period FY21-FY23. The same was on account of lower execution of contracts wherein less orders were floated by the government during COVID-19 pandemic.

##### Elongated collection period

The operating cycle of the company continues to remain elongated and stood at 210 days for FY24 as against 254 days for FY23 with majority of funds blocked in the receivables on account of delays realizations from the various government departments. Further, there is normally a procedural delay as customers are mainly government departments/ public sector undertakings. Thus, the average collection period stood high for past few fiscals. The inventory is in the form of work in progress at different sites on account of procedural delays involved in the certifications/validation of the invoices for the contracts executed resulting in an average inventory holding period of 40 days for FY24. Additionally, owing to long standing presence in the industry, the company manages to receive healthy payable period of around 2-3 months from its suppliers. The average utilization of working capital limits remained almost 93% utilized for past 12 months ending September 2023.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

### **Concentrated order book position with slow pace of execution**

OMBL has healthy though concentrated unexecuted order book position of ~Rs.432.97 crore as on October 11, 2023, which is equivalent to ~8.33x the total operating income achieved in FY23, thereby reflecting revenue visibility over the medium term. However, ~51% of the present unexecuted order book is concentrated towards contracts from U.P. Rajkiya Nirman Nigam Limited, Gorakhpur. Further, the progress of certain orders remains slow moving owing to various issues such as delay in civil work, land acquisition issues, land rehabilitation issue, environmental clearances, etc. Furthermore, disruptions in project execution within the timelines is also caused by lockdowns and labour unavailability as an impact of COVID-19 pandemic. Thus, timely completion of slow-moving orders with cost overrun and execution pace of new orders received in 2023 will be key rating sensitivities. The timely execution of existing as well as newly received large sized orders remain key rating monitorable.

### **Project execution risk inherent in various infrastructure projects**

Given the nature of projects awarded, OMBL is exposed to inherent risk in terms of delays in certain projects undertaken by the company due to delay in approvals and sanction from regulatory bodies such as land acquisition issues, thus exposing OMBL towards the risk of delay in projects resulting in a delay in the realization of revenue growth. Furthermore, the company's ability to execute a project in timely manner would be led by its own operational efficiency and timely stage payments received from its clients which is also crucial from credit perspective.

### **Highly competitive industry with business risk associated with tender-based orders**

OMBL operates in a highly competitive construction industry wherein it faces direct competition from various organized and unorganized players in the market given the low barriers to entry. There are number of small and regional players catering to the same market which has limited the bargaining power of the company and has exerted pressure on its margins. OMBL receives all of its majority of work orders from government/ public sector undertakings. The risk arises from the fact that any changes in geo-political environment and policy matters would affect all the projects at large. Further, any changes in the government policy or government spending on projects are likely to affect the revenues of the company. Furthermore, the company majorly undertakes government projects which are awarded through the tender-based system. This exposes the company towards risk associated with the tender-based business, which is characterized by intense competition. The growth of the business depends on its ability to successfully bid for the tenders and emerge as the lowest bidder.

### **Key strengths**

#### **Experienced promoters coupled with long track record of operations**

OMBL is a family run business. Mr. Vineet Kumar and Mrs. Preeti Singh are the directors of the company, and they collectively look after the overall operations of the company. Mr. Vineet Kumar is graduate by qualification and holds an overall experience of more than two decades in civil construction industry. He was associated with Ghaziabad Development Authority (GDA) for around a decade in various capacities. Mrs. Preeti Singh holds experience of around two decades in civil construction industry and looks after the administration department of the company. Furthermore, OMBL is also supported by a team of qualified engineers, supervisory staff and technical team to work on various sites having relevant experience in their respective fields. The company is having a considerable track record in this business which has given them an understanding of the dynamics of the market and enabled them to establish long term relationships with both suppliers and customers.

#### **Moderate profitability margins, capital structure and debt coverage indicators**

The profitability margins of the company stood moderate for the past two financial years i.e. (FY22-FY23) since it largely depends upon the nature of contract executed. Further, PBILDT margin of the company improved and stood at 15.77% in FY24 as against 15.43% in FY23 owing to higher margin contracts executed by the company. Further, PAT margin also improved and stood at 5.78% in FY24 as against 5.58% in FY23 backed by increase in PBILDT levels. The overall gearing ratio stood at 0.83x as on March 31, 2024 showing improvement from 1.04x as on March 31, 2023 primarily on account of accretion of profit to net reserves. Further, the capital structure is expected to remain moderate at 1.00-1.10x as envisage in the near to medium term. Further, on account of moderate profitability margins, the debt coverage indicators of the company continue to remain moderate as marked by interest coverage ratio and total debt to GCA of 1.98x and 5.60x respectively, for FY24 as against 1.97x and 8.22x respectively, for FY23.

#### **Price escalation clause insulating it from price volatility**

In the absence of any backward integration, the company procures its primary raw materials which includes steel, cement, transformer, cables and conductors, etc. from approved vendors/regional players specified by the respective clients at market rates and hence, it is susceptible to volatility in the input prices and which may have adverse impact on the profitability of the company. Nonetheless, the company is majorly insulated from any volatility in the input prices of raw materials as most of the contracts have a built-in price escalation clause to support any adverse change in raw material prices owing to the long tenure of the project. However, the contracts with shorter tenure lack such variation clause. Thus, the ability of the company to pass on increased price burden to the customers in a timely manner and maintain profitability margins is critical from the credit perspective.

### **Applicable criteria**

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)  
[Construction](#)  
[Short Term Instruments](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

Ghaziabad (Uttar Pradesh) based, Om Builders (OBD) was established in the year 2007 as a proprietorship firm by Mr. Vineet Kumar. On January 1, 2020, the said firm was taken over by the company namely "OMBL Infraprojects Private Limited". The company is engaged in civil construction and electrical works such as construction of buildings, road construction and erection of 4 CARE Ratings Ltd. Press Release transmission lines. In order to get the business, company has to participate in tenders/bids floated by government/ public sector undertakings and private entities.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	51.95	68.56
PBILDT	8.02	10.81
PAT	2.90	3.96
Overall gearing (times)	1.04	0.83
Interest coverage (times)	1.97	1.98

A: Audited UA: Unaudited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Infomerics Ratings has conducted the review on the basis of best available information and has classified OMBL Infraprojects Private Limited as "Not cooperative" vide its press release date August 07, 2024 due to unavailability of information.

**Any other information:** Not Applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	17.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ST-Bank Guarantee		-	-	-	15.00	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - LT/ST-Bank Guarantee		-	-	-	27.50	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*
Non-fund-based-LT/ST		-	-	-	40.50	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

**Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Cash Credit	LT	17.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (02-Nov-23) 2)CARE BB-; Stable; ISSUER NOT COOPERATING* (13-Apr-23)	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (16-Mar-22)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	15.00	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable / CARE A4 (02-Nov-23) 2)CARE A4; ISSUER NOT COOPERATING* (13-Apr-23)	-	1)CARE A4; ISSUER NOT COOPERATING* (16-Mar-22)
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	27.50	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable / CARE A4 (02-Nov-23) 2)CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* (13-Apr-23)	-	1)CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* (16-Mar-22)
4	Non-fund-based-LT/ST	LT/ST	40.50	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable / CARE A4 (02-Nov-23) 2)CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* (13-Apr-23)	-	1)CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* (16-Mar-22)

\*Issuer did not cooperate; based on best available information.

LT: Long term; LT/ST: Long term/Short term

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

**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	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 complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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### About us:

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### Disclaimer:

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