

## OM APARAJITHE SOLID WASTE MANAGEMENT LLP

December 18, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	10.62	CARE BB-; Stable	Assigned
Long Term / Short Term Bank Facilities	23.38	CARE BB-; Stable / CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to bank facilities of Om Aparajithe Solid Waste Management LLP (OASWML) is constrained by implementation risk related to the timely execution of orders on hand, which is entirely from a single principal authority [Bengaluru Solid Waste management Limited (BSWML)], its moderate financial risk profile, and stretched liquidity. The ratings also factor OASWML's constitution as a partnership firm and its presence in a competitive, fragmented, and tender driven industry.

The ratings, however, derive strength from promoters' experience in the solid waste management industry, favourable growth prospects due to increased government focus on waste management, and presence of an escrow mechanism for debt repayment, which is linked to proceeds from BSWML.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Timely execution of ongoing orders within envisaged time and cost parameters, and achievement of envisaged scale of operations and profitability.

#### Negative factors

- Moderation in capital structure marked by overall gearing beyond 2.0x on sustained basis.
- Deterioration in debt coverage indicators marked by interest coverage ratio below 1.5x on sustained basis.

### Analytical approach: Standalone

#### Outlook: Stable

The stable outlook reflects CARE Ratings Limited's (CARE Ratings') opinion that firm will benefit from its experienced promoters and low counterparty risk.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Implementation risk related to execution of orders

OASWML was awarded four contracts aggregating to approximately Rs.122 crore by BSWML for supply, installation, commissioning of waste processing plants [engineering, procurement and construction (EPC) portion: Rs.64 crore] and their Operation and Maintenance (O&M; O&M portion: Rs. 58 crore) for period ranging from 5 years to 15 years.

As on November 30, 2024, the firm had executed work of Rs. 6.54 crore on two projects – construction of boundary wall and set up of sanitary waste processing plant. Execution of remaining two contracts viz. setup of animal incineration & rendering plant, and biomethanisation plant are expected to commence in Q4FY25 (FY refers to period between April 01 to March 31), expected to be completed within nine months. Timely execution and receipt of payment from BSWML is crucial from credit perspective.

#### Moderate financial risk profile

OASWML's financial risk profile is moderate marked by negligible scale of operations and modest net worth base. While reliance on debt is low for existing operations, EPC portion of the awarded orders is projected to be funded by a mix of debt and equity in 3:2 ratio.

Debt tie-up of Rs. 12 crore for the sanitary waste processing plant has been secured, timely debt tie up for other projects remains a key rating monitorable.

#### Competitive and fragmented industry with tender driven nature of operations

OASWML operates in a highly competitive industry with stiff competition from both organized and unorganized players. This limit bargaining power and pressures profit margins. Furthermore, OASWML primarily relies on government projects exposing it to tender-based risks.

<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.

### Partnership nature of Constitution

The partnership nature of OASWML poses risks of capital withdrawal by partners, potentially deteriorating the capital structure. Any disproportionate capital withdrawal will be critical for credit stability.

### Key strengths

#### Experience of promoters in Solid waste management industry

OASWML is managed by five partners with significant experience in the solid waste management industry. Mr. S.N Balasubramaniam and Mr. Vikramdeva Reddy are registered BBMP (Bruhat Bengaluru Mahanagar Palike) contractors with a decade of experience in solid waste management. Mr. Vishwak Sena Reddy and Mr. Dileep have around five years of experience. Moreover, the partners have committed to infuse funds to fund shortfall that may arise due to delay in payment from counterparty.

#### Favourable growth prospects with increase in thrust of government on waste management

The waste management industry benefits from government policies, regulations and various cleanliness missions, such as Swachh Bharat Mission and the clean ocean mission. The Prime Minister's focus on dedicated Material Recovery Facilities for recycling and promoting circular economy, apart from regional solid waste management schemes like Shubra Bengaluru and Amrutha Nagarothanna scheme provides the boost to the industry.

#### Liquidity: Stretched

Liquidity is expected to remain stretched due to nascent stage of orderbook execution, which is contingent upon timely infusion of funds from promoters, debt tie-up for remaining projects, and payment receipt from BSWML. According to the debt sanction terms for the sanitary waste processing plant, 48% of the proceeds received from BSWML in the escrow account must be used for mandatory debt repayment. Accordingly, from receipts from first bill, Rs.1.38 crore has been appropriated towards repayment of sanctioned debt.

#### Assumptions/Covenants: Not applicable

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

### Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

[Short Term Instruments](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Utilities	Other Utilities	Waste Management

Constituted in February 2021, OASWML is engaged in execution of solid waste management contracts in Bengaluru, Karnataka. Currently firm has been awarded orders for supply, installation, erection and O&M for animal incineration and rendering, sanitary waste processing and bio-methanisation project. The firm is managed by partners Mr. S N Balasubramaniam, Mr. Vikramdeva Reddy, Mr. Vishwak Sena Reddy, Mr. Haleesh and Mr. Dileep Kumar.

Brief Financials (₹ crore)	March 31, 2023 (UA)	March 31, 2024 (UA)
Total operating income	0.60	0.37
PBILDT	0.04	0.00
PAT	0.01	0.02
Overall gearing (times)	0.00	0.20
Interest coverage (times)	NM	5.54

UA: Unaudited; NM: Not Material, Note: these are latest available financial results

#### Status of non-cooperation with previous CRA: Not applicable

#### 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based/Non-fund-based-LT/ST		-	-	-	18.44	CARE BB-; Stable / CARE A4
Non-fund-based - LT/ST-Bank Guarantee		-	-	-	4.94	CARE BB-; Stable / CARE A4
Term Loan-Long Term		-	-	31/05/2027	10.62	CARE BB-; Stable

#### 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	Term Loan-Long Term	LT	10.62	CARE BB-; Stable				
2	Non-fund-based - LT/ST-Bank Guarantee	LT/ST	4.94	CARE BB-; Stable / CARE A4				
3	Fund-based/Non-fund-based-LT/ST	LT/ST	18.44	CARE BB-; Stable / CARE A4				

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/Non-fund-based-LT/ST	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple
3	Term Loan-Long Term	Simple

#### Annexure-5: Lender details

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

**Annexure-6: List of entities consolidated:** Not Applicable

**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.

## Contact us

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### About us:

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### Disclaimer:

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