

OM ASSOCIATES

March 10, 2025

Facilities	Amount (₹ crore)	Ratings ¹	Rating Action
Long-term bank facilities	37.75	CARE BB-; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB; Stable and moved to ISSUER NOT COOPERATING category
Short-term bank facilities	9.75	CARE A4; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of facilities in Annexure-1.

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

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking management discussion from Om Associates (OM) to monitor the ratings vide e-mail communications dated February 19, 2025, and February 21, 2025, and numerous phone calls. However, despite our repeated requests, the company has not arranged the management meeting 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. Further, OM has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The ratings on OM'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.

The ratings have been revised on account of lack of clarity on future growth strategy which is critical for assessing the credit risk profile of the firm along with moderation in capital structure and debt protection metrics of the firm in FY24 (refers to the period April 1 to March 31). The ratings continue to be constrained by its partnership nature of constitution, working capital intensive nature of business, presence in a highly fragmented and competitive construction industry and client concentration risk.

The constraints are however, offset by its experienced promoters, satisfactory financial performance in FY24 and satisfactory order book position providing medium term revenue visibility.

Analytical approach: Standalone

Outlook: Stable

Detailed description of key rating drivers:

At the time of last rating on June 19, 2024, following were the strengths and weaknesses (updated for the information available from the company).

Key weaknesses

Partnership nature of constitution

Om Associates is a partnership firm and the inherent risk for withdrawal of capital remains. During FY24, the partners withdrew ~Rs.1.45 crore which resulted in muted growth in net worth of the firm. It is a relatively smaller player considering its scale of operations.

Working capital intensive nature of business

The operations of the firm are working capital intensive due to tender based and long-term nature of contracts. Om Associates needs to furnish earnest money deposits (EMD) during the bidding process which leads to funds getting blocked even before the project is awarded. A part of the sales proceed are also withheld in the form of retention money. However, EMD is refunded as and when the firm submits Bank Guarantee to that extent. The operating cycle witnessed deterioration from 76 days in FY23 to 102 days in FY24 on the back of increase in average collection period from 99 days in FY23 to 123 days in FY24. The increase in average collection is on account of both increase in total debt along with decline in revenue in FY24.

Moderate capital structure and debt protection metrics

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

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

The total debt of the firm has witnessed an increase over the years with increase in scale of operations. Major increase is on account of increase in unsecured loans by promoters and its associates. In FY24, the working capital borrowings have also increased. Accordingly, overall gearing ratio witnessed moderation from 1.86x as on March 31, 2023, to 2.09x as on March 31, 2024. With increase in total debt and slight moderation in GCA levels, debt coverage indicators marked by TDGCA also witnessed moderation from 6.53x as on March 31, 2023, to 8.60x as on March 31, 2024.

Presence in a highly fragmented and competitive construction industry

The group operates in the intensely competitive construction industry wherein projects are awarded based on relevant experience of the bidder, financial capability, and most attractive bid price. The high competition in the construction industry is due to the presence of large number of small and medium players resulting in aggressive bidding which exerts pressure on the margins. However, the group has rich experience, long standing track record in the construction industry and cordial relations with its clients which fares well against the peers in the industry.

Client concentration risk

Om Associates works primarily for the government agencies mainly Public Works Department (PWD) of various states, National Projects Construction Corporation Limited (NPCC) and Chhattisgarh State Industrial Development Corporation (CSIDC). Majority of the orders of the firm constitutes orders from NPCC, thus, exposing the entity to customer concentration risk. However, being associated with government agencies ensures Om Associates a steady flow of income with minimal default risk.

Key strengths

Experienced promoters

The firm was incorporated by Santosh Agarwal in 2010, having around 35 years of experience in the business. His son, Prahalad Agarwal, having over more than 20 years of experience has taken over and looks after the day-to-day operations of the firm. He is assisted by Om Prakash Agarwal who has experience of around 20 years in the similar line of business.

Satisfactory financial performance in FY24

The total operating income (TOI) of the firm declined to Rs.94.37 crore in FY24 from Rs.106.50 crore in FY23 on account of low execution of orders. However, the PBILDT margin improved from 8.13% in FY23 to 8.82% in FY24. With improvement in PBILDT margin, PAT margin also improved from 3.59% in FY23 to 3.71% in FY24. The firm earned GCA of Rs.4.38 crore vis-à-vis debt repayment obligation of Rs.0.37 crore in FY24. The firm has generated revenue of Rs.23.76 crore in H1FY25.

Satisfactory order book position providing medium term revenue visibility

The firm has an outstanding order book of Rs.210.25 crore as on September 14, 2024, which is 2.23x of the TOI of FY24, ensuring revenue visibility over the medium term.

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

Om Associates is a partnership firm started by Santosh Agarwal in 2010. The firm is engaged into civil contracts from the government. It constructs roads, buildings, schools, universities, and government offices. Some examples include Kendra Vidyalaya (KV), Eklavya Model Residential Schools (EMRS) in Madhya Pradesh and Chhattisgarh and Indira Gandhi National Tribal University (IGNTU) in Amarkantak, Madhya Pradesh.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	106.50	94.37	23.76
PBILDT	8.66	8.33	1.54
PAT	3.82	3.50	NA
Overall gearing (times)	1.86	2.09	NA

Interest coverage (times)	5.66	3.51	NA
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A: Audited; UA: Unaudited; NA: Not Available; 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 - LT-Cash Credit		-	-	-	10.75	CARE BB-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT-Bank Guarantee		-	-	-	27.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	9.75	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	Non-fund-based - LT-Bank Guarantee	LT	27.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	1)CARE BB; Stable (19-Jun-24)	-	-	-
2	Fund-based - LT-Cash Credit	LT	10.75	CARE BB-; Stable; ISSUER NOT COOPERATING*	1)CARE BB; Stable (19-Jun-24)	-	-	-
3	Non-fund-based - ST-Bank Guarantee	ST	9.75	CARE A4; ISSUER NOT COOPERATING*	1)CARE A4 (19-Jun-24)	-	-	-

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

LT: Long term; ST: Short 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-Bank Guarantee	Simple
3	Non-fund-based - ST-Bank Guarantee	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 for clarifications.

Contact us

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About us:

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Disclaimer:

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