

Om Construction_Omprakash Ramaji Katre

June 10, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Issuer Rating	0.00	CARE BB-; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the issuer, Om Construction_Omprakash Ramaji Katre is constrained by the constitution of the entity as a proprietorship firm, small scale of operations albeit improving profitability margins, moderate order book position albeit strong counterparties, highly competitive industry, tender driven nature of business, working capital intensive nature of operations and susceptibility of margins towards construction material price volatility.

The ratings, however derives strength from experienced promoters, improved capital structure and satisfactory debt coverage indicators.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operations beyond Rs. 50 crores while maintaining profitability margin on sustained basis.
- Improvement in total debt to PBILDT below 2.5x

Negative factors

- Decline in scale of operation below Rs.15.00 crore with operating margin below current levels
- Deterioration in overall gearing ratio beyond 1.50x on sustained basis
- Deterioration in collection period above 150 days

Analytical approach: Standalone

Outlook: Stable

The stable outlook is on account of long track record of operations of the firm and expected increase in scale of operation post receipt of orders.

Detailed description of key rating drivers:

Key weaknesses

Constitution of the entity as a proprietorship firm

The firm's legal status as a proprietorship firm exposes it to the risk of withdrawal of capital by proprietor at times of personal contingency and limited ability of the firm to raise capital. However, the proprietor has infused funds amounting to Rs.0.88 crore and Rs.9.83 crore in FY24 and FY25 respectively.

Small scale of operations albeit improving profitability margins

The total operating income (TOI) of the firm remained small but has exhibited an increasing trend in the past few years. TOI improved from Rs. 7.16 crore in FY22 (A) to Rs. 20.65 crore in FY25 (Prov.) mainly due to improving order book position and its execution over the years. TOI moderated from FY24 level from Rs. 30.29 crore to Rs. 20.65 crore in FY25 mainly due to delay in issue of work orders on the back of Central and State Elections in Maharashtra which were held in FY25. PBILDT margin has improved from 3.83% in FY24 to 8.28% in FY25 due to moderation in raw material cost. In FY26, the firm's TOI is expected to touch Rs.60 crore as articulated by management.

Moderate Order book position albeit strong counterparties

The o/s order book in hand as on April 30, 2025, remained moderate and stood at Rs. 103.78 crore, while the firm plans to execute approximately orders worth Rs. 60 crore in FY26 showing medium term revenue visibility. All new orders in hand has been received in March and April 2025 from strong counterparties like NHAI and irrigation department of Maharashtra and has price variation clause. Further the firm is currently L1 bidder in 3 projects worth Rs. 46.33 crore as on April 30,2025. This gives revenue visibility to the firm with majority of orders ranging between 1 to 2 years.

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

Highly competitive industry

OMC operates in a highly competitive construction industry, facing direct competition from numerous organized and unorganized players due to the low barriers to entry. The presence of many small and regional players catering to the same market has limited the firm's bargaining power and exerted pressure on its margins. This competitive landscape necessitates strategic planning and operational efficiency to maintain profitability and market position.

Working capital intensive nature of operations

The operations of the company are working capital intensive in nature due to tender based and long-term nature of contracts which consists of milestone-based payments, defect liability period, contractual performance terms and project specific challenges. The firm needs to furnish earnest money deposits (EMD) of 1-2% of the tender amount during the bidding process which leads to funds getting blocked even before the project is awarded. Further, the firm has to provide around 5% performance BG and in NHAI contracts mainly around 6% of the sales proceeds is withheld in the form of retention money to ensure project completion and quality. Additional BG of 8% is required for bidding below 20% of the set reserve price. This practice necessitates a significant working capital requirement for contractors. The firm bids projects having a gross margin of at least 10%.

The retention money gets released post completion of the project. The PBG gets released after the defect liability period which is mainly of 3-5 years. As articulated by the management, the firm released bank guarantee of Rs. 0.45 crore and retention money of Rs. 0.55 crore in FY25. As of March 31, 2025, the retention money balance stood at Rs. 2.00 crore, with the company is expecting to receive the entire money by Sep 2025.

Tender driven nature of business

OM construction's revenue stream is exclusively derived from tender-based projects, making its success heavily reliant on securing these contracts. The intense competition within the industry exerts significant pressure on profit margins. However, the promoters' extensive experience in the construction industry, spanning two decades, acts as a mitigating factor against this risk, providing a strategic advantage in navigating the competitive landscape.

Susceptibility of margins towards construction material price volatility

The basic input materials for execution of construction projects and works contracts are steel, stone chips, bitumen, cement etc. Furthermore, the operating margin of the firm is exposed to any sudden spurt in the input material prices along with an increase in labour prices being in labour intensive industries. However, presence of price variation clause moderates volatility in operating margin to some extent.

Key strengths

Experienced promoters

Om Construction is promoted by Omprakash Ramaji Katre, Proprietor, who looks after the overall operations of the business. The proprietor has more than a decade of experience in construction business.

Improved capital structure

The capital structure of the firm stood comfortable marked by overall gearing ratio of 0.40x as on March 31, 2025 (UA) which improved from 1.61x as on March 31, 2024 (A) due to infusion of funds worth Rs. 9.83 crore by the proprietor.

Satisfactory debt coverage indicators

Debt coverage indicators stood satisfactory, as marked by comfortable PBILDT interest coverage of 4.62x in FY25 (5.55x in FY24) and total debt to GCA (TD/GCA) of 4.96x in FY25 (3.09x in FY24). Moderation in debt to GCA in FY25 was due to higher utilization of the working capital limits.

Liquidity: Stretched

Om Construction's liquidity position remains stretched, as marked by low current and quick ratios as of March 31, 2024 and moderately high utilization of working capital limits. The firm has an OD limit of Rs. 4.50 crore whose average utilization stood at around 80% during last 12 months ended March 2025. The company generated GCA of Rs. 1.26 crore (FY24 audited) and 1.03 crore (FY25 unaudited) vis-à-vis having debt repayment obligation of Rs. 0.93 crore in FY25. In FY26, the debt repayment obligation stands at Rs.0.69 crores which would be paid out of cash accruals. The firm has also availed non-fund-based limits of Rs.5.45 crore whose utilisation stood at 35.05% as on March 31, 2025.

Environment, social, and governance (ESG) risks: NA

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Construction Sector](#)

[Issuer Rating](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

Om Construction (OMC), located in Nagpur, Maharashtra, was established in 2011 by Mr. Omprakash Ramaji Katre as a sole proprietorship firm. OMC is engaged in the construction of roads and buildings, operating as a contractor in both government and private sectors. The firm is a Class 1 contractor

The firm has its own fleet of construction machinery, including batching plants, Poclain machines, backhoe loaders, and Ajax tippers, which helps in execution of road and building projects.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (UA)
Total operating income	15.50	30.30	20.65
PBILDT	0.87	1.09	1.71
PAT	0.66	1.03	0.71
Overall gearing (times)	1.00	1.61	0.40
Interest coverage (times)	11.95	5.21	4.61

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

Status of non-cooperation with previous CRA: NA

Any other information: NA

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
Issuer Rating-Issuer Ratings		-	-	-	0.00	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 2025-2026	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
1	Issuer Rating-Issuer Ratings	LT	0.00	CARE BB-; Stable				

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	Issuer Rating-Issuer Ratings	Simple

Annexure-5: Lender details: Not Applicable as issuer rating

Attribute ID	
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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.

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