

Omkar Infracon Private Limited

February 28, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	8.98	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB; Stable (Double B; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	8.98 (Rs. Eight Crore and Ninety-Eight Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Omkar Infracon Private Limited (OIPL) to monitor the rating(s) vide e-mail communications/ letters dated December 01 2021, February 02 2022 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 has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, Omkar Infracon Private Limited has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on Omkar Infracon Private Limited's bank facilities will now be denoted as **CARE BB-; Stable; 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 have been revised on account of lack of information and uncertainty around the credit risk profile of the company.

Rating Sensitivities: Not Applicable

Detailed description of the key rating drivers

At the time of last rating on March 02 2021, the following were the rating strengths and weaknesses:

Key Rating Weaknesses

Small scale of operation with moderate profit margins

The scale of operations of the company remained small marked by total operating income of Rs.32.30 crore (FY19: Rs.24.45 crore) with a PAT of Rs.0.63 crore (FY19: Rs.0.54 crore) in FY20. However, the total operating income has witnessed year on year growth with a CAGR of 18.83% during FY18-FY20 on account of higher demand of its products in the market. Moreover, the tangible networth of the company also stood at Rs.12.06 crore as on March 31, 2020. The small size of the company restricts itself from achieving economies of scale and as such, the company has a limited cushion in times of stress. Furthermore, the profitability margins of the company remained moderate marked by PBILDT margin of 9.42% (FY19: 10.66%) and PAT margin of 1.96% (FY19: 2.20%) in FY20. Deterioration PBILDT margin was mainly on account of increase in cost of operation during FY20. Further the PAT margin also deteriorated in line with PBILDT margin during FY20.

There was restriction on the operation of the firm since the lockdown was imposed on 25th March, 2020 accordingly the firm was not able to operate. However, the company has resumed its operation from May 15, 2020 after taking approval from local authority and it has booked revenue of Rs.28.03 crore with PBT of Rs.1.19 crore during the period from April 01, 2020 to February 17, 2021.

Exposure to volatility in raw materials prices

The basic raw materials required for the company are flyash, cement, quick and hydrated lime, sand, limestone powder, and various additives. Availability of these raw materials is not an issue. However, as the company procures its raw materials from domestic market at prevailing spot prices, and thus it remained exposed to volatility in prices of its raw materials. Going forward, the ability of the company to increase the prices of its finished goods in accordance with the increase in prices of its raw materials will be crucial for the company.

High working capital intensive nature of operations

The operations of the company remained working capital intensive in nature as the company requires to maintain adequate inventory of raw materials for smooth running of its production process and finished goods inventory for timely supply of its customer's demand. Accordingly, the average inventory period was on the higher side during last three years. Furthermore, the company allows around one to two-month credit to their customer which also leads to working capital intensity of its

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

*Issuer did not cooperate; Based on best available information

operations. Moreover, the company receives around one to two-month credit from its suppliers which reduced its working capital intensity to certain extent.

Intensely competitive industry

Fly ash bricks industry in India is highly fragmented and competitive due to presence of huge small unorganised and few big players dominating the market. OIPL, being relatively new in the industry, is facing intense competition from the established players and its profitability margins may also be impacted. However, the promoters of OIPL are well aware of the industry dynamics and have significant experience in this line of business which mitigates the aforesaid risk to a certain extent.

Key Rating Strengths

Experienced promoters

Both the promoters; Mr. Sandeep Khandelia and Mr. Shankar Saraf, have around two decades of experience, in similar line of business, they look after the day to day operation of the company.

Close proximity to raw material sources with favourable industry scenario

OIPL's manufacturing plant is located in Howrah District of West Bengal which is near to Kolaghat Thermal Power Station from where it procures its basic raw material i.e. fly ash and the company is able to save simultaneously on transportation costs. Further, India is the largest manufacturer of fly ash bricks after China. Fly ash bricks and AAC blocks are an eco-friendly and sustainable construction building material made using non-polluting manufacturing process. It makes productive use of recycled industrial waste (fly ash). The demand prospects for the industry are expected to remain satisfactory.

Comfortable capital structure with satisfactory debt coverage indicators

The capital structure of the company remained comfortable marked by long term debt-equity ratio of 0.44x (FY19:0.31x) and overall gearing ratio of 0.85x (FY19:0.64x) as on March 31, 2020. Deterioration in capital structure was due to higher utilisation of bank limits along with increase in unsecured loans during the year. Moreover, the debt coverage indicators remained satisfactory marked by interest coverage of 2.66x (FY19:2.60x) and total debt to GCA of 3.99x (FY19: 6.05x) in FY20. However, the interest coverage has improved on account of higher increase in PBILDT level vis-à-vis increase in interest expenses. Moreover, the total debt to GCA has deteriorated due to increase in debt level as well as lower generation of cash accruals in FY20.

Liquidity: Not Applicable

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

About the Company

Incorporated in February 2010, Omkar Infracon Private Ltd (OIPL) was promoted by Mr. Sandeep Khandelia and Mr. Shankar Saraf based out of Kolkata, West Bengal. The company has commenced its commercial operations from August 01, 2012 onwards and it has been engaged in manufacturing of different types of fly ash bricks which is mainly used in construction and real estate industries. The company is also engaged in real estate activities like purchase of land, land development and selling out the lands; however, the company derived minor revenue from real estate activities. The manufacturing unit of the company is located at Howrah, West Bengal with an installed capacity of 2.7 lakh pieces per day. The company procures its basic raw material i.e. fly ash from Kolaghat Thermal Power Station and sales its finished products to various construction companies and real estate builders.

Both the promoters; Mr. Sandeep Khandelia and Mr. Shankar Saraf, have around two decades of experience, in similar line of business, they look after the day-to-day operation of the company.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (P)
Total operating income	32.30	37.11	NA
PBILDT	3.04	2.72	NA
PAT	0.63	0.49	NA
Overall gearing (times)	0.85	0.92	NA
Interest coverage (times)	2.66	2.83	NA

A: Audited; P: Provisional; NA: Not Available

Status of non-cooperation with previous CRA: CRISIL ratings continues to place the rating of OIPL under Issuer Not Cooperating vide press release dated January 20, 2021.

India Ratings moved the rating of OIPL under Issuer Not Cooperating vide Press release dated February 26, 2019.

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 for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	-	0.48	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	-	7.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT-Bank Guarantee	-	-	-	-	1.50	CARE BB-; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	0.48	CARE BB-; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB; Stable (02-Mar-21)	1)CARE BB; Stable (19-Mar-20) 2)CARE BB-; Stable; ISSUER NOT COOPERATING * (02-Mar-20)	1)CARE BB; Stable (06-Feb-19)
2	Fund-based - LT-Cash Credit	LT	7.00	CARE BB-; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB; Stable (02-Mar-21)	1)CARE BB; Stable (19-Mar-20) 2)CARE BB-; Stable; ISSUER NOT COOPERATING * (02-Mar-20)	1)CARE BB; Stable (06-Feb-19)
3	Non-fund-based - LT-Bank Guarantee	LT	1.50	CARE BB-; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB; Stable (02-Mar-21)	1)CARE BB; Stable (19-Mar-20) 2)CARE BB-; Stable; ISSUER NOT COOPERATING * (02-Mar-20)	1)CARE BB; Stable (06-Feb-19)

*Issuer did not cooperate; Based on best available information

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

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT-Bank Guarantee	Simple

Annexure 5: Bank Lender Details for this Company

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

Note on complexity levels of the rated instrument: CARE Ratings Ltd. 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.

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About CARE Ratings Limited:

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