Om Metals Infraprojects Limited

October 08, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	151.00	**CARE BBB+; Stable (Triple B Plus; Outlook: Stable)**	**Reaffirmed**
Long/Short term Bank Facilities	642.00	**CARE BBB+; Stable/ CARE A2 (Triple B Plus; Outlook: Stable/ A Two)**	**Reaffirmed**
Total Facilities	**793.00 (Rs. Seven hundred and ninety three crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Om Metals Infraprojects Limited (OMIL) continue to take into account the experience of the promoters, the company's established track record in project execution, its strong market position in the EPC of hydro mechanical projects and healthy order book position. The ratings also take comfort from the improvement in total income and profit margins of the company coupled with a moderate financial risk profile characterized by low overall gearing and moderate debt service indicators. The ratings are, however, tempered by high exposure of OMIL towards other group companies, its working capital intensive nature of business operations and project execution risk associated with the hydro power and civil projects. The ratings also take cognizance of the group's initiatives to reduce group exposure and monetization of non-core assets.

Going forward, the ability of OMIL to execute orders within time and cost estimates and realize contract proceeds and reduction in exposure to the group entities shall be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced Promoters: OMIL is promoted by the Om Kothari Group which is in existence since 1971. The promoter of the company, Mr. C P Kothari has an experience of over 4 decades in executing engineering contracts for hydel and irrigation projects. He is ably assisted by his two brothers who also have substantial industrial experience.

Strong market position of OMIL with established track record: OMIL is one of the leading players in the execution of hydro mechanical projects and has been in the industry from more than past three decades with successful execution of more than 60 hydro mechanical and irrigation projects across India and abroad.

Healthy order book: The company has a healthy order book position of Rs. 834.00 cr (2.65x of the total operating income in FY18, refers to the period April 1 to March 31) as on August 31, 2018 which is to be executed over the next 2-3 years thus providing revenue visibility in the medium term and includes orders for hydro mechanical contracts, township development etc.

Moderate financial risk profile: The overall gearing improved to 0.24x as on March 31, 2018 (PY: 0.28x) on account of accretion of profits to net worth which stood high at Rs. 641.01 cr as on March 31, 2018 (PY: Rs. 603.05 cr). The debt servicing indicators reflected by total debt to GCA and interest coverage ratio also stood moderate on account of high profit margins.

Improved operational performance: OMIL reported an increase in its total operating income in FY18 on account of higher execution of the ongoing projects. The PBILDT margins also increased as the projects moved towards erection and installation stage where the margins are higher. On account of the same and lower interest expenses PAT margins also increased significantly. During Q1FY19 (refers to the period April 1 to June 30), the company reported a low revenue of Rs. 57.25 cr (PY: Rs. 107.83 cr) due to delays in the execution of projects in Africa. The PAT margins also reduced marginally to 7.70% due to high interest expenses.

Key Rating Weaknesses

High exposure towards group companies: OMIL has extended support to its group companies in the form of loans and advances, equity investments and corporate guarantees. The company under its joint venture, BJTRPL has served a notice for termination of the concession agreement in respect of the toll road project on account of breaches of terms &

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

conditions by State Government, Rajasthan. Going forward, timely recovery of investments & advances and monetization of non-core assets thereby resulting in improvement in return indicators would be a critical credit monitorable.

Execution risks associated with hydro- power projects and real estate: The company is largely into the business of providing hydro mechanical solutions and real estate. The hydro mechanical projects includes risks associated with the execution of a hydro power projects due to difficult terrain and geological conditions and real estate includes project execution risk and volatility in steel and cement prices etc. These risks can potentially lead to fluctuation in the sales and profits of the company.

Working capital intensive nature of operations: The company has an elongated operating cycle of 177 days as on March 31, 2018 (PY: 188 days) mainly attributable to high collection period and high inventory days. The major clients for the company include government clients which lead to delay in the realizations owing to the long and stringent process of approval of the payments coupled with a large amount of money withheld in the form of retention money. The inventory period also stood high owing to execution of various projects at the same time.

Prospects: India has a huge potential of ~145 GW of energy through hydropower. With only around 26% of the tapped potential, there is a huge opportunity available in the hydro power sector. However, the hydropower projects are set up in difficult terrains which make the execution difficult thereby leading to slower capacity addition in hydropower segment.

Analytical approach:
Standalone

Applicable Criteria
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Rating Methodology: Factoring Linkages in Ratings
Financial ratios - Non-Financial Sector

About the Company
OMIL, incorporated in December 1971, is the flagship company of the Om Kothari Group, which is engaged in diversified activities including turnkey solution for hydro mechanical equipments for hydro power & irrigation projects, real estate development and civil construction. OMIL has its main fabrication unit for the hydro mechanical division in Kota, Rajasthan with an installed capacity of 15,000 metric tonnes per annum (MTPA).

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	257.26	314.78
PBILDT	57.53	75.33
PAT	19.90	44.44
Overall gearing (times)	0.28	0.24
Interest coverage (times)	3.09	4.55

A: Audited

Status of non-cooperation with previous CRA:
Not Applicable

Any other information:
Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based-LT/ST	-	-	-	642.00	CARE BBB+; Stable / CARE A2
Fund-based - LT-Cash Credit	-	-	-	90.00	CARE BBB+; Stable
Fund-based - LT-Term Loan	-	-	September 2022	61.00	CARE BBB+; Stable

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	61.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (05-Oct-17)	1)CARE BBB+; Stable (23-Mar-17) 2)CARE A- (13-Oct-16)	1)CARE A- (16-Oct-15)
2.	Non-fund-based-LT/ST	LT/ST	642.00	CARE BBB+; Stable / CARE A2	-	1)CARE BBB+; Stable / CARE A2 (05-Oct-17)	1)CARE BBB+; Stable / CARE A2 (23-Mar-17) 2)CARE A- / CARE A2+ (13-Oct-16)	1)CARE A- / CARE A2+ (16-Oct-15)
3.	Fund-based - LT-Cash Credit	LT	90.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (05-Oct-17)	1)CARE BBB+; Stable (23-Mar-17) 2)CARE A- (13-Oct-16)	1)CARE A- (16-Oct-15)
4.	Fund-based - ST-Standby Line of Credit	-	-	-	-	1)CARE A2 (05-Oct-17)	1)CARE A2 (23-Mar-17) 2)CARE A2+ (13-Oct-16)	1)CARE A2+ (16-Oct-15)

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