



Press Release

OMBL Infraprojects Pvt. Ltd

April 26th, 2022

Ratings

Instrument Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities – GECL/ECLGS	4.20*	IVR BB/Stable (IVR Double B with Stable Outlook)	Assigned	Simple
Long term Bank Facilities – Cash Credit	25.00**	IVR BB/Stable (IVR Double B with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities – LC/BG	35.00	IVR A4/Stable Outlook (IVR Single A Four With Stable Outlook)	Assigned	Simple
Short Term Bank Facilities - Proposed	35.80	IVR A4/Stable Outlook (IVR Single A Four With Stable Outlook)	Assigned	Simple
Total	100.00 (Hundred Crores Only)			

***Includes proposed Term loan of Rs 0.40 crs**

**** includes proposed cash credit limit of Rs 10.00 crs.**

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of OMBL Infraprojects Private Limited derives comfort from extensive experience of the promoters, proven project execution capability with satisfactory asset base and reputed clientele. The rating also factors in its unexecuted orderbook reflecting satisfactory medium term revenue visibility, increase in scale of operations and comfortable capital structure with healthy debt protection metrics. These factors are offset by customer concentration risk, long pending debtors and tender driven nature of business in highly fragmented and competitive construction sector.

Key Rating Sensitivities:

Upward Factors

- Steady flow of orders & timely execution of the same leading to sustained improvement in scale of operations and profitability thereby improvement in liquidity position.



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- Sustenance of the capital structure

Downward Factors

- Any delays in execution of projects impacting the scale of operations and impairment in profitability affecting the liquidity position
- Moderation in the capital structure with deterioration in the overall gearing
- Elongation in the operating cycle to more than 200 days.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Established track record of operations and rich experience of the promoters :**

OMBL is currently being managed by Mr. Vineet Kumar and Mrs. Preeti Singh. Mr. Vineet Kumar is a graduate by qualification and has an overall experience of more than two decades in civil construction industry. He was associated with Ghaziabad Development Authority (GDA) for around a decade in various capacities. Mrs. Preeti Singh; other director of the company; holds experience of around two decades in civil construction industry and looks after the administration department of the company. Furthermore, OMBL is also supported by a team of qualified engineers, supervisory staff and technicians to work on various sites.

- **Increase in Scale of Operation :**

The profitability margins of the company largely depend upon nature of contract executed and stood moderate for the past two financial years i.e. (FY20-FY21). The EBITDA margin of the company stood above 10.0% for the past two financial years (FY20-FY21) owing to better margin contracts executed by the company. Thus, PAT margin also stood above 5.29% in FY21.

- **Comfortable capital structure and debt coverage indicators:**

The capital structure of the company continue to remain moderate as marked by overall gearing ratio which stood at 0.93x as on March 31, 2021 as against 1.21x as on March 31, 2020 mainly on account of increase in debt levels. Further, owing to moderate profitability position; the debt



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coverage indicators as marked by interest coverage ratio and total debt/ GCA continues to remain moderate at 3.26x and 4.85x respectively for FY21.

Key Rating Weaknesses

- **Working capital intensive nature of operations**

The operating cycle of the company continues to remain high and stood at 184 days for FY21 as against 311 days for FY20 mainly on account of inventory holding period in the form of work-in process. The company raises bills on monthly basis on the completion of certain percentage of work and thereon which gets acknowledge by customer after necessary inspection of work done. Post the inspection, department clears the payment within 3 months (maximum) by deducting certain percentage of bill raised (ranging from 5-10% of bill amount) in the form of retention money, which they refund after completion of order/contract or submission of bank guarantee. Furthermore, there is normally a procedural delays in relation being customers are government departments/ bodies. Thus, the average collection period stood high for FY21. The company maintains minimum inventory in the form of raw materials at different sites for smooth execution of contracts. However, due to lockdown the payments cannot be released by the departments on timely basis for the work-in-process. Further, the company receives credit period of around 2-3 months from its suppliers owing to long standing presence in the industry. Furthermore, the average utilization of working capital limits remained 78.19% for past 12 months ended December, 2021.

- **Price escalation clause insulating it from price volatility:**

In the absence of any backward integration, the company procures its primary raw material which includes steel, cement, transformer, cables and conductors, etc. either from approved vendors/regional players at market rates and hence, it is susceptible to volatility in the input prices. Nonetheless, the company is majorly insulated from any volatility in the input prices of raw materials as most of the contracts have a built-in price variation clause for change in raw material prices owing to the long tenure of the project. However, the contracts with shorter tenure lack such variation clause. Ability of the company to pass on increased price burden to



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the customers in a timely manner and maintain profitability margins is critical from the credit prospective.

- **Highly competitive industry with business risk associated with tender-based orders:**

OMBL faces direct competition from various organized and unorganized players in the market. There are number of small and regional players catering to the same market which has limited the bargaining power of the company and has exerted pressure on its margins. OMBL receives all its majority of work orders from government/ public sector undertakings. The risk arises from the fact that any changes in geo-political environment and policy matters would affect all the projects at large. Furthermore, any changes in the government policy or government spending on projects are likely to affect the revenues of the company. Further, the company majorly undertakes government projects which are awarded through the tender-based system. This exposes the company towards risk associated with the tender-based business, which is characterized by intense competition. The growth of the business depends on its ability to successfully bid for the tenders and emerge as the lowest bidder.

- **Moderate though concentrated order book position:**

The unexecuted order book of the company as on Dec 31, 2021 stood at Rs.385.04 crore which is more to ~5x of the total operating income achieved in FY21, thereby giving short to medium term revenue visibility. However, the present entire unexecuted order book is concentrated towards contracts from few orders. Hence, effective and timely execution of the orders has a direct bearing on the margins.

Analytical Approach: Standalone

Applicable Criteria :

[Rating Methodology for Infrastructure entities](#)
[Financial Ratios & Interpretation Non- Financial Sector](#)

Liquidity – Adequate

The liquidity position of the company remained adequate characterized by sufficient cushion in accruals vis-à-vis repayment obligations as evident from GCA of Rs.6.64 – 17.78 crore as on F.Y 22-24 against repayment obligations of Rs.1.27 – 0.90 as on F.Y 22-24 crore and



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average utilization of around 78.19% for past 12 months period ending December, 2021 supported by above unity current ratio. The company has cash & bank balances of 0.20 crore as on March 31, 2021 and in line with RBI guidelines in wake of COVID-19 pandemic, the company has availed moratorium for its facilities provided by the bank.

About the Company

The company is an infrastructure development project management entity and is engaged in the line of Building construction including construction of multi storied buildings, residential Flats, Society and office complexes, Road construction, Internal & External electrical works, erection of electricity lines and power stations etc. The company undertakes turnkey projects right from the stage of concept, Design & Execution. The company is working with both private sector as well as public sector organizations & State Govt. as well as Central Govt. departments for last over a decade.

Financials (Standalone):

	(Rs. crore)	
For the year ended* As on	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	45.03	65.70
EBITDA	6.50	7.10
PAT	2.41	3.49
Total Debt	25.34	18.01
Tangible Net worth*	6.14	8.92
EBITDA Margin (%)	14.43	10.81
PAT Margin (%)	5.29	5.29
Overall Gearing Ratio (x)	1.21	0.93

**as per Infomerics standards*

Status of non-cooperation with previous CRA : CARE Ratings in its press release dated March 16th, 2022 has continued to place the rating under Issuer Not Cooperating category due to non-availability of information.

Any other information: Nil



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Rating History for last three years:

Sl. No.	Name of Instrument / Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	GECL/ECL GS	Long Term	4.20*	IVR BB/Stable (IVR Double B with Stable Outlook)	-	-	-
2.	Cash Credit	Long Term	25.00**	IVR BB/Stable (IVR Double B with Stable Outlook)			
3	LC/BG	Short Term	35.00	IVR A4/Stable Outlook (IVR Single A Four With Stable Outlook)			
4	Proposed	Short Term	35.80	IVR A4/Stable Outlook (IVR Single A Four With Stable Outlook)			

*Includes proposed Term loan of Rs 0.40 crs

** includes proposed cash credit limit of Rs 10.00 crs.

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About Infomerics:



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Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- GECL/ECLGS	-	-	-	4.20*	IVR BB/Stable (IVR Double B with Stable Outlook)
Long Term Bank Facilities- Cash Credit				25.00**	IVR BB/Stable (IVR Double B with Stable Outlook)
Short Term Bank Facilities- LC/BG				35.00	IVR A4/Stable Outlook (IVR Single A Four With Stable Outlook)



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Short Term Bank Facilities-Proposed				35.80	IVR A4/Stable Outlook (IVR Single A Four With Stable Outlook)
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***Includes proposed Term loan of Rs 0.40 crs**

**** includes proposed cash credit limit of Rs 10.00 crs.**

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-OMBL-Apr22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com