



## Press Release

### Omkara Assets Reconstruction Private Limited (OARPL)

**Aug 20, 2024**

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term - Fund Based Bank Facilities – Term Loans	56.10 (Reduced from 60.00)	IVR A/Stable (IVR A with Stable Outlook)	IVR A-/RWNI (IVR A Minus, placed on rating watch with negative implications)	Upgraded/Rating watch resolved, and Stable outlook assigned	<b>Simple</b>
Proposed Fund Based Bank Facilities – Term Loans	63.90	IVR A/Stable (IVR A with Stable Outlook)	-	Assigned	<b>Simple</b>
<b>Total</b>	<b>120.00</b> <b>(Rupees One Hundred Twenty crore only)</b>				

**Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.**

#### Detailed Rationale

The resolution of Rating watch with negative implications and assignment of 'Stable' Outlook reflects favourable order by appellate authority by setting aside the earlier order passed by the Income Tax department in April 2021, the company has also received refund of Rs.2.88 crore during FY24. The Stable Outlook also reflects no further proceedings from RBI as earlier, RBI was seeking clarifications from OARPL against Income Tax order and now the company has received favourable order from appellate authority. OARPL also implemented the remedial measures as suggested by RBI in their observations.

The ratings assignment and upgradation to the Bank facilities of OARPL reflects the healthy AUM levels and recoveries, with improved earnings profile, strong capitalisation and experienced promoters and management. However, the ratings are constrained by poor track record of resolution of stressed assets in India, intense competition in the Asset Reconstruction sector and risks associated with any adverse changes in the distressed assets policy framework.

#### Key Rating Sensitivities:



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### Upward Factors

- Substantial and sustained growth in AUM, along with significant recoveries and redemptions resulting in improved revenues and profitability.

### Downward Factors

- Lower than expected acquisition of new assets, delay in resolutions of assets impacting the earnings profile or more than expected rise in gearing and/or deterioration in capital adequacy.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### Healthy AUM and recovery levels

OARPL's continues to maintain healthy AUM levels despite improved recoveries as OARPL reflecting consistent acquisition of fresh assets. For FY24 (refers to period April 1st, 2023, to Mar 31, 2024), OARPLs AUM stood at Rs 5,080.93 crore when compared to Rs 5,002.82 crore. Total recoveries for FY24 improved to Rs 3,209.06 crore from Rs 2,788.73 crore in FY23. At the same time fresh acquisitions for FY24 stood at Rs 2,863.63 crore when compared to Rs 1,475.27 crore for FY23.

##### Improved earnings profile

The total income of OARPL has witnessed significant improvement in FY24 driven by increase in recoveries. For FY24, OARPL has reported total income of Rs. 240.38 crore and PAT of Rs 106.58 crore when compared to Rs. 203.23 crore and Rs 72.77 crore respectively in FY23. Profitability margins of OARPL stood comfortable with PAT margin of 44.34% in FY24 when compared to 35.81% in FY23.

##### Strong capitalization

OARPLs capitalisation remains strong with total CRAR of 48.25% and tangible net worth of Rs 509.12 crore as on 31<sup>st</sup> March 2024 against regulatory requirement of 15%. Overall gearing stood comfortable at 1.00x as on 31<sup>st</sup> March 2024. The strong capitalisation helps OARPL in acquiring fresh assets.



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### **Experienced promoters and management**

OARPL is promoted by Shri Arumugam Sakthivel and Mr. Manish Lalwani. Earlier, Shri Arumugam headed AEPC and FIEO and had been Director in UCO Bank, IDBI Bank, ECGC and SIDBI thereby gaining very wide experience in the field of Finance and Banking. Mr. Manish Lalwani has over 15 years of experience in origination, structuring and executing transactions. The promoters have rich experience in the financial industry and are supported by team of experienced professionals. OARPL's board comprises of experienced professionals as independent directors.

### **Key Rating Weaknesses**

#### **Poor track record of resolution of stressed assets in India**

The Indian distressed assets market is still in a nascent stage with limited seasoning. The sector is gradually growing with more regulatory policies taking shape. Generally, the track record of resolution of stressed assets in India is poor. However, with the onset of the IBC (Insolvency and Bankruptcy Code) in India, the situation is very likely to improve.

#### **Intense competition in the Asset Reconstruction sector**

There are ~29 registered ARCs in India, which manage more than Rs. 1 lakh Crore of AUM. The competition in the stressed asset market is on the rise with an increase in the number of players. Also, due to the change in the model of ARCs to more cash-based buying as against largely a security receipts-based model adopted earlier, big players may give stiff competition to smaller players.

#### **Risk associated with any adverse changes in the distressed assets policy framework.**

The Company is exposed to risk emerging out of any adverse changes in the distressed assets policy framework. Despite having sufficient asset acquisition and resolution policy framework, ARCs might keep on confronting difficulties given the inherent nature of the business and the asset reconstruction industry.

**Analytical Approach:** Standalone

**Applicable Criteria:**



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[Rating Methodology for Financial Institutions/Non-Banking Finance companies](#)

[Policy on Default Recognition and Post – Default Curing Period](#)

[Criteria of assigning Rating Outlook.](#)

[Complexity level of rated instruments/Facilities](#)

[Financial Ratios & Interpretation \(Financial Sector\)](#)

### **Liquidity – Strong**

OARPLs liquidity remains strong with CRAR of 48.25%, and TNW of Rs 509.12 crore and cash and cash equivalents stood at Rs 10.33 crore as on 31<sup>st</sup> March 2024. With the current levels of capitalisation, OARPL can continue acquiring fresh assets in the near to medium term without any further capital infusion. IVR expects OARPL to maintain strong liquidity given the healthy profit accretion.

### **About the Company**

Omkara Assets Reconstruction Private Limited (OARPL) was incorporated in March 2014 by Mr. A. Sakthivel and Mr. Manish Lalwani. The company subsequently received registration to 5 commence Asset Reconstruction business vide RBI Registration certificate dated October 5, 2015.

### **Financials (Standalone):**

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	203.23	240.38
PAT	72.77	106.58
Total Debt	719.21	506.71
Tangible Net Worth	405.41	509.12
AUM	5002.82	5080.93
Ratios		
PAT Margin (%)	35.81	44.34
Overall Gearing Ratio (Times)	1.77	1.00
Interest Coverage (Times)	2.50	3.62
Total CRAR (%)	33.23	48.25

\* Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA: Nil**



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Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (2024-25)			Rating History for the past 3 years				
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					September 01, 2023	November 14, 2022	February 02, 2022	January 04, 2022	December 01, 2021
1.	Fund Based – Long Term Bank Facilities – Term loans	Long Term	56.10	IVR A/Stable	IVR A-/RWNI	-	-	-	-
2.	Proposed – Fund Based – Long Term Bank Facilities – Term loans	Long Term	63.90	IVR A/Stable	-	-	-	-	-
3.	Proposed Fund Based – Long Term Bank Facilities – Cash Credit	Long Term	-	-	-	Withdrawn	IVR A-/CWDI	IVR BBB+/CWDI	IVR A-/Stable
4.	Proposed NCDs	Long Term	-	-	-	-	-	-	Withdrawn

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).





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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Facility Details

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	Jan 2029	56.10	IVR A/Stable
Proposed Term Loan	-	-	-	NA	63.90	IVR A/Stable

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Omkara-Assets-aug24.pdf>

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable**



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**Annexure 4: List of companies considered for consolidated/Combined analysis: 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](http://www.infomerics.com).

