



Press Release

M/s Omvir Singh

February 08, 2024

Ratings

Instruments/ Facilities	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	15.00	IVR BB-; Stable (IVR Double B Minus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	35.00	IVR A4 (IVR A Four)	Assigned	Simple
Total	50.00 (Rupees Fifty crores only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of M/s Omvir Singh derives comfort from its experienced promoters, satisfactory order book size providing medium-term revenue visibility and comfortable financial risk profile marked by satisfactory capital structure. However, these rating strengths are partially offset by its modest scale of operation, exposure to geographical and sectorial concentration risk, tender driven nature of business with presence in highly competitive industry and risk associated with proprietorship nature of constitution.

Key Rating Sensitivities:

Upward Factors

- Growth in revenue and profitability supported by timely fulfillment of current orders.
- Sustenance of the capital structure with overall gearing to remain below 1x and/or improvement in debt protection metrics with interest coverage to improve above 2.5x.

Downward Factors

- Moderation in the scale of operation and/or moderation in profitability impacting the debt protection metrics.
- Moderation in the capital structure and/or deterioration in overall gearing to over 1.5x.
- Stretch in the working capital cycle driven by stretched receivables impacting the financial risk profile, particularly liquidity.

List of Key Rating Drivers with Detailed Description



Press Release

Key Rating Strengths

Experienced proprietor with long track record as Class-I contractor

Mr. Omvir Singh, the proprietor of the firm, is well experienced with more than 40 years of experience in the infrastructure segment. Mr. Singh looks after the overall business of the firm. Moreover, the firm has a long track record of operation of more than four decades.

Satisfactory order book position providing medium term revenue visibility

The firm has an unexecuted order book position of Rs. 174.28 crore as on January 01, 2024, which is 2.74 times of its FY23 contract revenue. The orders are expected to be completed in the coming one year, indicating a satisfactory medium-term revenue visibility.

Satisfactory capital structure

The capital structure of the firm has remained comfortable over the past couple of years, backed by its satisfactory leverage ratios. However, the overall gearing ratio has moderated to 0.48x as on March 31, 2023, against 0.25x as on March 31, 2022, due to increase in long term debt in FY23 attributable to equipment loan. Overall indebtedness of the firm as reflected by TOL/TNW has remained satisfactory at 1.07x as on March 31, 2023 (0.76x as on March 31, 2022).

Key Rating Weaknesses

Modest scale of operation

The total operating income (TOI) of the firm witnessed an erratic trend in the past three fiscals during FY21-FY23. The TOI declined by ~52% in FY22 to Rs.31.97 crore from Rs.66.81 crore in FY21, due to lower execution of orders owing to covid restriction throughout India for first few months of FY22. However, with improvement in operating spectrum post covid period the topline improved by ~50% in FY23 to Rs.63.57 crore driven by higher execution of order with relaxation in covid restriction. The modest scale of operations restricts the financial flexibility of the firm to an extent. In 9MFY24, the firm achieved a revenue of Rs.46.00 crore.

Geographical and sectorial concentration risk

The present order book is majorly skewed towards road construction in Uttar Pradesh from various government departments indicating a geographical and sectorial concentration risk. However, the proprietor of the firm has adequate experience in executing such projects which provides comfort.

Tender based nature of business with intense competition in the industry



Press Release

The domestic construction sector is highly crowded with the presence of many players with varied statures and capabilities. Further, the company receives work orders through tenders amidst an intense price war. The profit margins of the company may remain under pressure because of this highly competitive nature of industry. However, promoters' long industry exposure imparts comfort.

Risks associated with proprietorship nature of constitution

Given Omvir Singh's constitution as a sole proprietorship, it is exposed to discrete risks, including the possibility of withdrawal of capital by its proprietor and the risk of dissolution of the firm upon the death, retirement or insolvency of its proprietor. Moreover, the proprietorship nature limits Omvir Singh's flexibility to tap external channels of financing.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria for assigning Rating Outlook](#)

[Rating Methodology for Infrastructure Companies](#)

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

[Policy of default recognition](#)

Liquidity – Adequate

The liquidity position of the firm is expected to remain adequate in the near term marked by its adequate expected gross cash accruals as compared to its debt repayment obligations in the near to medium term. Further, the firm has a healthy gearing headroom marked by its satisfactory capital structure with overall gearing and TOL/TNW of 0.48x and 1.07x as on March 31, 2023.

About the Firm

Uttar Pradesh-based M/s Omvir Singh was set up in 1974 as a proprietorship firm of Mr. Omvir Singh. It undertakes civil construction works such as canal lining, rural electrification, and construction of residential buildings in and around Uttar Pradesh.

Financials (Standalone):

(Rs. crore)		
For the year ended / As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	31.97	63.57
EBITDA	1.77	4.23
PAT	1.41	1.60



Press Release

For the year ended / As on	31-03-2022	31-03-2023
	Audited	Audited
Total Debt	4.97	10.34
Tangible Net worth	19.91	21.44
EBITDA Margin (%)	5.53	6.65
PAT Margin (%)	4.26	2.49
Overall Gearing Ratio	0.25	0.48

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Bank Overdraft	Long Term	2.04	IVR BB-; Stable	-	-	-
2.	Bank Guarantee	Short Term	35.00	IVR A4	-	-	-
3.	Proposed Cash Credit	Long Term	12.96	IVR BB-; Stable	-	-	-

Name and Contact Details of the Rating Analyst:

Name: Harshita Gupta	Name: Avik Podder
Tel: (033) 46022266	Tel: (033) 46022266
Email: hdidwania@infomerics.com	Email: apodder@infomerics.com

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).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit



Press Release

ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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 visit www.infomerics.com

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Bank Overdraft	-	-	-	2.04	IVR BB-; Stable
Bank Guarantee	-	-	-	35.00	IVR A4
Proposed Cash Credit	-	-	-	12.96	IVR BB-; Stable

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-OmvirSingh-feb24.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.