

Press Release

OM PRAKASH SHARMA CONTRACTOR

16 February, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 5.50 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 5.50 crore bank facilities of OM PRAKASH SHARMA CONTRACTOR. The outlook is '**Stable**'.

Om Prakash Sharma Contractor (OPSC), is a Gwalior-based firm, established in 2002 by partners, Mr. Om Prakash Sharma and Mr. Mithlesh Kumar Sharma. The firm is engaged in civil construction. The firm undertakes contracts for construction of roads and bridges and caters to the Madhya Pradesh Public Works Department.

Key Rating Drivers

Strengths

- **Experienced management**

The firm commenced operations in 2002. It is headed by Mr. Om Prakash Sharma and Mr. Mithlesh Kumar Sharma who have around 15 years of experience in civil construction.

- **Healthy order book position**

OPSC has healthy order book position with unexecuted orders in hand of approximately Rs. 14.00 crore which provides revenue visibility for the near to medium term.

- **Moderate financial risk profile**

The financial risk profile is marked by low net worth of Rs.4.04 crore as on 31 March, 2017 as against Rs. 2.66 crore as on 31 March, 2016. The gearing stood at 0.66 times as on 31 March, 2017 as against 0.77 times as on 31 March, 2016. The total debt of Rs.2.69 crore outstanding as on 31 March, 2017 comprises Rs. 0.26 crore of unsecured loans from Directors, long term debt of Rs.0.57 crore consisting of loans taken to purchase machinery and Rs. 1.87 crore of short term debt with a CC facility and loans against FDR. The ICR stands improved at 8.10 times in FY2017 as against 4.16 times in FY2016. The net cash accruals of the firm have marginally improved to Rs. 1.94 crore in FY2017 from Rs. 0.96 crores in FY2016. The NCA/TD ratio increased to 0.72 times in FY2017 from 0.47 times in FY2016.

Weaknesses

- **Working capital intensive operations**

OPSC's operations are working capital intensive with Gross Current Asset days of 133 in FY2017. The creditor days are stretched to 113 days in FY2017 from 151 days in FY2016. The average bank limit utilisation is high at ~90 percent for the last six months ended January 2018.

Analytical Approach

SMERA has considered the stand alone business and financial risk profile of OPSC to arrive at the rating.

Outlook: Stable

SMERA believes that OPSC will maintain a Stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the firm registers more than expected growth in revenues while achieving improvement in profitability. Conversely the outlook may be revised to negative in case of high working capital requirements increasing the pressure on margins.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	27.11	13.79	12.35
EBITDA	Rs. Cr.	1.85	0.97	1.05
PAT	Rs. Cr.	1.41	0.59	0.59
EBITDA Margin	(%)	6.82	7.05	8.52
PAT Margin	(%)	5.21	4.30	4.78
ROCE	(%)	29.47	20.49	25.52
Total Debt/Tangible Net Worth	Times	0.67	0.77	1.13
PBDIT/Interest	Times	8.10	4.16	3.93
Total Debt/PBDIT	Times	8.10	4.16	1.70
Gross Current Assets (Days)	Days	133	151	131

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
17-Aug, 2017	Cash Credit	Long Term	INR 1.5	SMERA BB-
	Bank Guarantee	Short Term	INR 4	SMERA A4
10-May, 2016	Cash Credit	Long Term	INR 1.5	SMERA BB- / Stable
	Bank Guarantee	Short Term	INR 4	SMERA A4

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA BB- / Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A4

Contacts

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