

## Press Release

### Om Prakash Sharma Contractor

October 03, 2019



### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs. 8.50 Cr. (Enhanced from Rs. 5.50 Cr.)
<b>Long Term Rating</b>	ACUITE BB- / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A4

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and short-term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 8.50 crore (Enhanced from Rs.5.50 Cr.) bank facilities of Om Prakash Sharma Contractor (OPSC). The outlook is '**Stable**'.

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

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of OPSC to arrive at this rating.

### Key Rating Drivers

#### Strengths

- **Established track record of operations and experienced management**

OPSC is promoted by Mr. Om Prakash Sharma and Mr. Mithlesh Kumar Sharma, who also manage the day-to-day operations of the firm. The partners' possess experience of more than 15 years in the same line of business. OPSC's order book position remains healthy at Rs. 45.00 crore as on 31 September, 2019; thus, providing modest revenue visibility for the firm over the medium term. The partner's experience has also helped the firm in successful bidding of the tenders and get extended credit from long-standing relationships with its suppliers. Acuité believes that the firm will continue to benefit through the partners' extensive industry experience over the medium term.

- **Moderate financial risk profile**

OPSC's financial risk profile is marked by its average net worth, low gearing and moderate debt protection measures. The net worth improved to Rs. 5.09 crore as on 31 March, 2019 (Provisional) as against Rs. 4.16 crore in the previous year. The company's gearing stood low at 0.90 times as on 31 March, 2019 (Provisional) as against 1.10 times in the previous year. The company has followed a conservative financial policy in the past, as reflected by its peak gearing of around 1.10 times as on March 31, 2018. The total debt of Rs. 4.56 crore consists of Rs. 3.41 crore of short-term debt obligations, term loan of Rs. 0.89 crore and Rs. 0.26 crore of unsecured loans from relatives and partners. The interest coverage ratio stood at 3.73 times in FY2019 (Provisional) as against 4.57 times in the previous year. NCA/TD ratio stood 0.45 times in FY2019 (Provisional). Acuité believes that the financial risk profile will continue to remain moderate on account of healthy cash accruals and minimal reliance on debt.

#### Weaknesses

- **Tender based nature of operations and competitive industry**

The revenues of OPSC are generated through tender based orders floated by Madhya Pradesh Rural Road Development Authority (RRDA) coupled with the increasing competition in the industry. The revenue has direct impact on successful bidding of order and competitive pricing provided to surpass competition from other players in the industry.

• **Geographic concentration and Risk of capital withdrawal**

The operations of the firm are small and restricted to Madhya Pradesh. Further, being partnership nature of constitution there is the risk of capital withdrawal.

**Rating Sensitivities**

- Extensive increase in short term borrowings for maintaining day-to-day operations
- Further decline in revenue and margins, delay in order execution will have further impact on liquidity.
- The firm is expected to maintain moderate working capital cycle.

**Material Covenants**

None

**Liquidity Position: Adequate**

OPSC has adequate liquidity marked by moderate net cash accruals. The firm generated cash accruals of Rs. 2.00 crore to Rs. 2.80 crore during the last three years through 2017 - 19. The cash accruals of the company are estimated to remain at around Rs. 2.50 crore to Rs. 3.00 crore during 2019-21. The company's working capital operations are intensive marked by Gross Current Asset (GCA) days of 25 in FY2019 (Provisional). The company maintains unencumbered cash and bank balances of Rs. 0.19 crore as on March 31, 2019 (Provisional). The current ratio of the company stood below average at 1.20 times as on March 31, 2019 (Provisional). Acuité believes that the liquidity of the firm is likely to remain adequate over the medium term on account of moderate cash accrual.

**Outlook: Stable**

Acuité believes that the outlook on OPSC's rated facilities will remain 'Stable' over the medium term on account of its partners extensive experience, moderate financial risk profile and established operational track record. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

**About the Rated Entity - Key Financials**

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	26.17	32.56	27.11
EBITDA	Rs. Cr.	2.19	2.92	1.85
PAT	Rs. Cr.	1.33	1.94	1.41
EBITDA Margin	(%)	8.35	8.98	6.82
PAT Margin	(%)	5.10	5.97	5.21
ROCE	(%)	22.70	35.24	29.48
Total Debt/Tangible Net Worth	Times	0.90	1.10	0.66
PBDIT/Interest	Times	3.73	4.57	8.10
Total Debt/PBDIT	Times	1.63	1.28	1.22
Gross Current Assets (Days)	Days	25	73	133

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

None

**Any other information**

None

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments – <https://www.acuite.in/view-rating-criteria-20.htm>

**Note on complexity levels of the rated instrument**

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

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
26- Apr -2019	Cash Credit	Long Term	1.50	ACUITE BB- (Reaffirmed)
	Bank Guarantee	Short Term	4.00	ACUITE A4 (Reaffirmed)
16-Feb-2018	Cash Credit	Long Term	1.50	ACUITE BB- (Reaffirmed)
	Bank Guarantee	Short Term	4.00	ACUITE A4 (Reaffirmed)
17-Aug-2017	Cash Credit	Long Term	1.50	ACUITE BB- (Indicative)
	Bank Guarantee	Short Term	4.00	ACUITE A4 (Indicative)
10-May-2016	Cash Credit	Long Term	1.50	ACUITE BB- / Stable (Assigned)
	Bank Guarantee	Short Term	4.00	ACUITE A4 (Assigned)

### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BB- / Stable (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	7.00 (Enhanced from 4.00)	ACUITE A4 (Reaffirmed)

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### About Acuité Ratings & Research:

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