Press Release

Om Prakash Sharma Contractor

March 23, 2022

Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.50	ACUITE BB- | Stable | Reaffirmed	-
Bank Loan Ratings	7.00	-	ACUITE A4 | Reaffirmed
Total Outstanding Quantum (Rs. Cr)	8.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

* Refer Annexure for details

Rating Rationale

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

Rationale for rating reaffirmation

The rating reaffirmation factors in OPSC's established track of operations, experienced management and moderate financial risk profile. The operating performance of the firm has been affected amid impact of Covid-19 pandemic, it is expected to improve in the medium term. However, tender-based operations coupled with high competitive intensity, geographic concentration and risk of capital withdrawal continue to constrain the rating

About the Company

Established in 2002, OPSC is a Gwalior-based partnership firm and was promoted by Mr. Om Prakash Sharma. Currently, the firm is promoted by Mr. Ankit Sharma, Mrs. Mithlesh Kumari Sharma and Mrs. Sunita Sharma. The firm undertakes construction of roads & bridges for Madhya Pradesh Public Works Department.

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management and established track record of operations

OPSC was promoted by Om Prakash Sharma, Mr. Ankit Sharma and Mrs. Mithlesh Kumari Sharma. Currently, the firm is promoted by Mr. Ankit Sharma, Mrs. Mithlesh Kumari Sharma and

Mrs. Sunita Sharma who take care of day-today operations of the firm. With over 15 years of experience in the infrastructure construction business, the partners have enabled the firm to maintain good order flow by successful bidding of the tenders and also to obtain extended credit from long-standing relationships with its suppliers. Despite the impact of Covid-19 pandemic, the firm has an outstanding order book of around Rs.64.93 crore of which Rs.24.96 crore of work has been completed and the remaining Rs.39.97 crore is yet to be completed. Acuité believes that the firm would continue to gain strong support from the partners' extensive experience, even going ahead, which would protect OPSC's overall growth.

Moderate financial risk profile

The financial risk profile of the firm stood moderate marked by modest net worth, low gearing and moderate debt protection metrics. The tangible net worth stood at Rs.6.67 crore as on March 31, 2021 as against Rs.7.06 crore as on March 31, 2020. The total debt of the firm stood at Rs.5.54 crore includes Rs.0.88 crore of long term debt, Rs.0.70 crore of unsecured loans and Rs.3.96 crore of short term debt as on March 31, 2021. The gearing (debt-equity) stood at 0.83 times as on March 31, 2021 as compared to 0.74 times as on March 31, 2020. Interest Coverage Ratio stood at 2.92 times for FY2021 as against 3.96 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 2.88 times for FY2021 as against 3.96 times for FY2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 2.09 times as on March 31, 2021 as against 1.88 times on March 31, 2020. Net Cash Accruals to Total Debt (NCA/TD) also stood at 0.28 times for FY2021 as against 0.36 times for FY2020.
Acuité believes that the financial risk profile of the firm will continue to remain same over the medium term.

Weaknesses

Tender-based operations and high competitive intensity

Business of OPSC is based on tender orders floated by Madhya Pradesh Rural Road Development Authority (MPRRDA) and public work department (PWD) and there is no significant reliance on subcontract work. Therefore, the firm's revenue is directly linked to the successful bidding of orders amidst high competitive intensity. High competitive intensity also impacts the pricing power of players.

Geographic concentration and risk of capital withdrawal

OPSC operates at a smaller scale and its operations are confined to the Madhya Pradesh state. The firm is unlikely to expand its geographical presence, even going ahead. Further, being a partnership firm, there is a risk of capital withdrawal.

Modest scale of operations

OPSC's reported operating revenue in FY2021 stood at Rs.12.83 crore vis-à-vis Rs.15.23 crore in FY2020. The decline in revenue is due to the impact of Covid-19 pandemic on the business operations. While its EBITDA margin improved to 12.78 per cent in FY2021 from 11.40 per cent in FY2020, PAT margin declined and stood at 5.03 percent in FY2021 as against 6.20 percent in FY2020.
However, these key operating parameters are not strictly comparable as two large road projects of around Rs.40.00 crore are being done through a joint venture – S.R.S-O.P.S. – although, bank facilities remain common for the joint venture and OPSC. The joint venture recorded revenue of Rs.7.42 crore in FY2021 compared to Rs.18.67 crore in FY2020. Considering the joint venture's performance, OPSC has able to record an overall revenue of around Rs.20.25 in FY2021 as against Rs.33.90 crore in FY2020. Also, the combined EBITDA margin in FY2021 was also at OPSC's historical level of 8-9 per cent. The projects under the joint venture are completed by March 2021.

Rating Sensitivities

Improvement in the scale of operations and profitability margins.
Stretch in the working capital management leading to any negative impact on the liquidity profile.

Material covenants
None.

Liquidity Position: Adequate
The firm has adequate liquidity marked by adequate net cash accruals to maturing debt obligations. The firm generated adequate cash accruals of Rs.1.53-1.95 crore during the last three years through 2019-21, as against maturing debt obligation of Rs.1.34-3.45 crore during the same period. The firm's working capital operation stood intensive marked by GCA days of 142 days in FY2021 as against 104 days in FY2020. The current ratio of the firm stood at 1.21 times as on March 31, 2021. However, the average bank limit utilization stood high at around 82 percent for the last 6 months ended January 2022.

Outlook: Stable
Acuité believes that OPSC will maintain a 'Stable' outlook over the medium term on account of experienced management. The outlook may be revised to 'Positive' in case of a significant improvement in revenues while maintaining the profitability and capital structure. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile caused by losses leading to decrease in net-worth or elongated working capital cycle leading to further stretch in its liquidity.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	12.83	15.23
PAT	Rs. Cr.	0.64	0.94
PAT Margin	(%)	5.03	6.20
Total Debt/Tangible Net Worth	Times	0.83	0.74
PBDIT/Interest	Times	2.92	3.96

Status of non-cooperation with previous CRA (if applicable)
Not Applicable.

Any other information
None.

Applicable Criteria
• Default Recognition - https://www.acuite.in/view-rating-criteria-52.htm
• Infrastructure Sector: https://www.acuite.in/view-rating-criteria-51.htm
• Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/view-rating-criteria-55.htm

Rating History

Date	Name of Istruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Jan 2021	Bank Guarantee	Short Term	7.00	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	1.50	ACUITE BB- | Stable (Reaffirmed)
03 Oct 2019	Cash Credit	Long Term	1.50	ACUITE BB- | Stable (Reaffirmed)
	Bank Guarantee	Short Term	7.00	ACUITE A4 (Reaffirmed)
26 Apr 2019	Cash Credit	Long Term	1.50	ACUITE BB- | Stable (Reaffirmed)
	Bank Guarantee	Short Term	4.00	ACUITE A4 (Reaffirmed)
16 Feb 2018	Cash Credit	Long Term	1.50	ACUITE BB- | Stable (Reaffirmed)
	Bank Guarantee	Short Term	4.00	ACUITE A4 (Reaffirmed)
17 Aug 2017	Cash Credit	Long Term	1.50	ACUITE BB- (Issuer not co-operating*)
	Bank Guarantee	Short Term	4.00	ACUITE A4 (Issuer not co-operating*)
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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A4 | Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BB- | Stable | Reaffirmed

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About Acuité Ratings & Research

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