OM INFRA LIMITED

(Formerly known as OM METALS INFRAPROJECTS LIMITED)

CIN: **L27203RJ1971PLC003414**

Regd. Office: 2nd Floor, A-Block, Om Tower, Church Road, M.I. Road, Jaipur-302001

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Website: www.ommetals.com E-Mail Id: info@ommetals.com

Date: 4th July, 2024

To,

Deptt. Of Corporate Service, BSE Limited Phiroze Jeejeeebhoy Towers, Dalal Street, Mumbai-400001 Scrip Code: 531092	Listing & Compliance Department, National Stock Exchange Of India Limited Exchange Plaza, C-1 Block G Bandra Kurla Complex, Bandra (E), Mumbai-40005 Symbol : OMINFRAL

Sub: Revision of Credit Rating by Care Ratings Limited

Dear sir,

This is to inform you that CARE Ratings Limited (CARE Ratings) has revised its rating from CARE BBB- to CARE BBB for the Company's long term Bank facilities and Short term Bank facilities.

Credit rating letter is attached for your kind reference.

This is for your information & record.

Thanking You,

For OM INFRA LIMITED

VIKAS KOTHARI Digitally signed by VIKAS KOTHARI Date: 2024.07.04 12:52:47 +05'30'

Vikas Kothari
Managing Director & CEO
DIN : 00223868

Om Infra Limited

July 03, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	104.50 (Reduced from 108.00)	CARE BBB; Stable	Revised from CARE BBB-; Stable
Long Term / Short Term Bank Facilities	633.50 (Enhanced from 630.00)	CARE BBB; Stable / CARE A3+	Revised from CARE BBB-; Stable / CARE A3

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in the ratings assigned to bank facilities of Om Infra Limited (OIL) factors in healthy improvement in operational and financial performance of the company during FY24 (refers to April 1 to March 31) supported by higher order book execution. The revision in ratings also draw comfort from improvement in liquidity position of the company owing to healthy gross cash accruals coupled with better management of working capital resulting in improvement in operating cycle and reduction in dependence on external funds for managing working capital requirements. Further, the ratings derive strength from experience of the promoters, company's established track record in project execution, established market position in the EPC of hydro mechanical and irrigation projects, healthy order book position along with diversification towards non Hydro power projects. The ratings also factor in strengthening financial risk profile of the company marked by improvement in capital structure with improved debt coverage indicators. However, the ratings are constrained on account of OIL's continued support extended to their group companies, working capital intensive nature of operations with high reliance on bank borrowings, execution risk associated with the hydro power projects and saleability risk under real estate projects.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained growth in total operating income with addition of new orders & improvement in PBILDT margins above 10%.
- Improvement in working capital cycle with average collection period to less than 60 days & gross current asset (GCA) days to below 150 days on sustained basis.
- Improvement in capital structure with adjusted overall gearing (post adjustment of group company loans, advances & investment from the tangible net-worth) below 0.25x on a sustained basis.

Negative factors

- Decline in scale of operations below Rs. 800 crore & contraction in the profitability margins below 8% on sustained basis.
- Elongation in working capital cycle with average collection period to beyond 120 days & Gross current asset days to above 250 days on sustained basis.
- Delay in execution of order book resulting in deteriorating liquidity & debt coverage indicators resulting in TD/GCA of greater than 3x.
- Deterioration in capital structure with adjusted overall gearing above 0.40x on a sustained basis due to any debt funded capex, increased utilization of working capital limits or any addition loans, advances or investment in group companies.

Analytical approach: Standalone after factoring in the investments/ support towards group companies.

Outlook: Stable

The 'Stable' outlook reflects CARE Ratings' expectation of sustained and healthy operating performance coupled with adequate liquidity supported by timely execution of order book, thereby improving financial risk profile over the medium term.

Detailed description of the key rating drivers:

Key strengths

Improvement in scale of operations & profitability margins: The company has achieved a total operating income (TOI) of Rs. 1,062.58 crore in FY24, marking a significant improvement of approximately 47% compared to FY23. The growth in TOI was primarily driven by strong execution of the order book. Additionally, the company's PBILDT margin improved from 8.04% to 8.98%, primarily due to increased execution leading to better absorption of fixed expenses. Consequently, the PAT (Profit After

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Tax) margin also improved to 5.38% from 4.65% in FY23.CARE Ratings expects that, the company's scale of operations will continue to expand in the medium term, supported by expected growth in order book position with healthy execution of the same.

Healthy Order book position with improved pace of execution: The company has an outstanding order book of Rs. 2,243 crores as on March 31, 2024, which is equivalent to 2.11 times of TOI of FY24 thereby providing revenue visibility in the medium term and includes orders for Hydromechanical and Irrigation projects (Dams/Reservoirs), Water supply projects, township development, EPC works of the Dam/Reservoir etc. The current order book of the company is majorly from government and quasi government entities, where the counterparty risk is low. The company seeks cost escalation from the authority depending on the period of delay. Although the progress of certain orders under hydromechanical and Irrigation projects have been slow owing to various issues like, delay in civil work, land rehabilitation issue etc. However, orders under Jal Jeevan Mission projects having unexecuted value of Rs. 1,357 crores (~60% of the order book) mitigate it up to a great extent as the pace of execution is comparatively better in these projects due to government focus & lesser challenges. The receipt of the payments from these orders are also in timely manner.
Although, order book position of the company is still healthy & provides revenue visibility in medium term. However, company has not been awarded any new order during FY24. Therefore, addition of new orders along with timely execution of order book would remain key monitorable for ratings.

Improving financial risk profile: The overall gearing of the company has improved from 0.27x as on March 31, 2023, to 0.16x as on March 31, 2024, primarily on account reduced fund based working capital limit utilization, decrease in mobilization advances towards project execution. Further, adjusted gearing (post adjustment of group company loans, advances & investments) improved to 0.35x as on March 31, 2024 (PY: 0.59x). The interest coverage ratio of the company has improved from 2.24x in FY23 to 4.05x in FY24 on account of higher PBILDT level during FY24 coupled with lower finance cost. Total debt to gross cash accruals (TD/GCA) improved to 1.46x as on March 31, 2024 (PY: 3.58x) owing to improved GCA level.
Care Ratings' expects financial risk profile of the company to improve further in medium term, supported by increasing execution of order book & improvement in net-worth position on account of accretion of annual profits to reserves. However, recovery of existing loans, advances & investment from group companies with no further outflow would remain a key monitorable for ratings.

Experienced Promoters: OIL is promoted by Om Kothari Group; the promoter of the company Mr. C P Kothari has an experience of about 5 decades in executing engineering contracts for hydel and irrigation projects. He is ably assisted by his two brothers who also have substantial industrial experience and look after the day -to-day affairs of the company.

Strong market position of OIL with established track record: OIL is one of the leading players in the execution of hydro mechanical projects and has been in the industry for over four decades. OIL has successfully executed more than 60 hydro mechanical and irrigation projects across India and abroad. The vast experience of OIL in such projects brings them a significant advantage while bidding orders.

Key weaknesses

High exposure to group companies: OIL has extended support to its group companies engaged in real estate and operation of toll road in the form of loans and advances, equity investments and corporate guarantees. As on March 31, 2024, the company had total investments of Rs. 391.13 crore in group companies as against Rs. 369.06 crore as on March 31, 2023. State Govt. of Rajasthan had exempted toll collection from private vehicles from April 1, 2018, leading to lower revenue resulting in delays in debt servicing. BJTRPL had served a notice for termination of the concession agreement in respect of the toll road project on account of breach of terms & conditions and an arbitrator was appointed by Hon'ble High court of Rajasthan to resolve the matter. The Arbitrator subsequently issued an interim award u/s 17 of Arbitration Act dated October 30, 2019, directing the PWD-Rajasthan Government to deposit Rs. 191 crores in an escrow account and take back the possession of the project highway. State Government has now also allowed toll collection from private vehicles (earlier exempt since April 1, 2018) w.e.f. Nov 1, 2019. Hon'ble High court, in its order dated October 12, 2020, directed PWD, Rajasthan, to take over the project highway as directed by the Arbitrator and deposit Rs.191 crore with the lenders of BJTRPL in the escrow account till the final disposal of the appeal pending before the commercial court. However, during December 2021, Hon'ble High Court of Rajasthan ordered to allow the lenders to adjust the amount standing in credit of Escrow account against the exposure of BJTRPL. The company has exposure of Rs.120.83 crore in its toll project under joint venture, BJTRPL and had also extended corporate guarantee for the project which got release during the FY24 on repayment of outstanding debt & interest obligation. The company has raised various claims to the tune of Rs.609.12 crores. Arbitrator under its final award on January 30, 2023, allowed the claim amount totalling Rs. 587.64 crore after adjustment of Rs. 191.79 crore awarded by way of interim award. Company has received 10% of the awarded amount which was partially utilised to repay the accumulated interest amount to the lenders of around Rs. 21 crores and has initiated release of corporate guarantee. However, company is entitled to interest @11% p.a. till the date of complete payment of the balance award amount. Any additional investments in group concerns & receipt of amount under arbitration award will be a key monitorable for rating purpose.

Working capital intensive nature of operations albeit improvement in operating cycle: The company relies on bank borrowings to finance its working capital requirements with moderate utilisation (~81%) of fund based working capital limits during past twelve months ended March-24. The major clients for the company include government clients which lead to delay in the realizations owing to the long and stringent process of approval of the payments. The inventory period also stood high owing to execution of various projects at the same time. Although, the operating cycle of the company has improved from 99 days in FY23 to 82 days then FY24 majorly on account of better inventory holding period on account of quick execution & payment in Jal Jeevan Mission Projects in Rajasthan & UP.

Execution risks associated with hydro-power projects and saleability risk under real estate projects: The company is into the business of providing hydro mechanical solutions. The hydro mechanical projects include execution risks due to difficult terrain, geological conditions, and dependence on EPC contractor for construction. However, the company has diversified their business by entering into water supply projects under Jal Jeevan Mission having unexecuted value of Rs. 1,788 crores (59% of the order book) that mitigates execution risk it up to an extent as execution risk is comparatively lower in these projects. Further, the company has executed one real estate project namely Om Medows in Kota Rajasthan under OIL and one project namely Pallacia under Om Metals Consortium Private Limited (wholly owned subsidiary). Sale of units under such real estate projects shall remain a key monitorable during current financial year.

Liquidity: Adequate

The company has unencumbered cash and cash equivalents Rs. 15.93 crore as on March 31, 2024. Further, the company is estimated to have gross cash accruals of Rs. 74.20 crores in FY25 against debt repayment of around Rs. 14 crores. Utilization of fund based working capital limit is moderate at around 81% during past 12 months (Apr'23-Mar'24). However, the same has reduced from near 90% utilization earlier. The operating cycle of the company has improved from 99 days in FY23 to 82 days in FY24 majorly on account of better inventory holding period on account of faster execution & payment in Jal Jeevan Mission Projects in Rajasthan & UP. Further, company has modest capex requirements mainly for additional equipment and machinery for efficient execution of orders in hand and same will be financed using internal accruals.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Construction
Short Term Instruments

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Construction	Construction	Civil Construction

Om Infra Limited (erstwhile, Om Metals Infraprojects Limited), incorporated in December 1971, is the flagship company of the Om Kothari Group, which is engaged in diversified activities including turnkey solution for hydro mechanical equipment for hydro power & irrigation projects, Jal-Jeevan Mission projects, real estate development and civil construction. OIL has its main fabrication unit for hydro mechanical division in Kota, Rajasthan. OIL's total fabrication capacity is 15,000 Metric Tonnes Per Annum (MTPA) with unit based out of Kota, Rajasthan. The company has also forayed into construction of Dams/Reservoirs on EPC basis, along with fabrication and installation of hydromechanical equipment.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	289.85	721.05	1,062.58
PBILDT	33.67	58.00	95.37
PAT	-0.25	33.54	57.17
Overall gearing (times)	0.23	0.28	0.16
Interest coverage (times)	1.11	2.24	4.05

A: Audited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	89.00	CARE BBB; Stable
Fund-based - LT-Term Loan	-	-	-	31/03/2026	15.50	CARE BBB; Stable
Non-fund-based-LT/ST	-	-	-	-	633.50	CARE BBB; Stable / CARE A3+

Annexure-2: Rating history for the last three years

S. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		TYPE	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	15.50	CARE BBB; Stable	-	1)CARE BBB-; Stable (03-Jul-23)	1)CARE BB+; Stable (10-Oct-22)	1)CARE BBB-; Stable (07-Jan-22)
2	Non-fund-based-LT/ST	LT/ ST	633.50	CARE BBB; Stable / CARE A3+	-	1)CARE BBB-; Stable / CARE A3 (03-Jul-23)	1)CARE BB+; Stable / CARE A4+ (10-Oct-22)	1)CARE BBB-; Stable / CARE A3 (07-Jan-22)
3	Fund-based - LT-Cash Credit	LT	89.00	CARE BBB; Stable	-	1)CARE BBB-; Stable (03-Jul-23)	1)CARE BB+; Stable (10-Oct-22)	1)CARE BBB-; Stable (07-Jan-22)

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

S. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based-LT/ST	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For the detailed Rationale Report and subscription information, please visit www.careedge.in