

May 20, 2025

Onshore Construction Company Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Short-term – Non-fund based	200.00	200.00	[ICRA]A2+; reaffirmed
Short-term – Unallocated limits	20.00	20.00	[ICRA]A2+; reaffirmed
Long-term/Short-term Interchangeable^	(25.00)	(25.00)	[ICRA]A-(Stable)/[ICRA]A2+; reaffirmed
Total	220.00	220.00	

*Instrument details are provided in Annexure-I

^Long-term / Short-term –Interchangeable is a sublimit of non-fund based limit

Rationale

The reaffirmation of ratings favourably factors in Onshore Construction Company Private Limited's (OCCPL) healthy order book position (order book to operating ratio of 3.2 times as on December 31, 2024) providing medium-term revenue visibility, comfortable financial profile marked by low leverage (TOL/TNW at 0.7 times as on March 31, 2024) and healthy debt coverage metrics (Interest cover of 7.0 times in FY2024). The gross operating cycle remains on a lower side, with adequate liquidity cushion. The ratings draw comfort from the extensive experience of OCCPL's promoters, their execution capabilities in the piping and tankage construction industry and the company's reputed clientele.

The ratings are constrained by OCCPL's modest scale of operations and concentrated order book in terms of geography, segment as well as clients. The company's construction revenue has remained volatile over the last five years, with a subdued CAGR of 1.5% during FY2019-FY2024 and it is estimated to report lower single-digit revenue growth for FY2025. While it has a pan-India presence, coupled with operations in Nigeria and Jordan, 68% of the unexecuted order book as on December 31, 2024 is concentrated in Gujarat, West Bengal and Maharashtra. Moreover, out of the unexecuted order book, the petrochemicals and fertiliser plant segments accounted for ~62% combined. The top five orders made up 62% of the unexecuted order book and the top three clients contributed 48% to the unexecuted order book as on December 31, 2024, reflecting concentration risk. Most of the new contracts have in-built price escalation clauses, compared to the earlier fixed-price contracts of the company. In case of delays leading to cost overruns, the built-in price escalation clause in the recent contracts protects the company's operating margin from raw material price fluctuation risks to some extent. Going forward, the company's ability to scale up operations, coupled with improvement in profitability remains important from the credit perspective.

ICRA notes that the company manages its overseas operations through various subsidiaries/associates, wherein it is executing a large order. However, the management has guided that there would not be any direct or indirect financial support from its Indian operations to execute the overseas orders. Any deviation from the stated support policy from OCCPL to its subsidiaries, which could have a material impact on its own liquidity position will be a credit negative. ICRA notes the stiff competition in the construction sector and the company's exposure to sizeable contingent liabilities in the form of bank guarantees, mainly for contractual performance and mobilisation advances. Nonetheless, ICRA draws comfort from OCCPL's execution track record, the relatively strong credit profile of most of its counterparties and the absence of invocation of guarantees, as witnessed in the past.

The Stable outlook reflects ICRA's expectation that the company would maintain a healthy financial profile, characterised by adequate profitability, a comfortable capital structure and healthy debt coverage indicators on the back of absence of any debt-funded capex and healthy cash accruals.

Key rating drivers and their description

Credit strengths

Comfortable leverage and debt coverage metrics – The company reported a comfortable capital structure, with TOL/TNW of 0.7 times as on March 31, 2024, due to its low dependence on external borrowings, aided by a low gross operating cycle. Additionally, mobilisation advances from customers support the working capital funding requirements. The coverage metrics remained comfortable with interest cover of 7.0 times in FY2024, on account of low finance costs. In absence of any major debt-funded capex/investment plans, the coverage indicators are expected to remain comfortable in the medium term.

Healthy order book position providing medium-term revenue visibility – OCCPL's order book stood at ~Rs. 1,173 crore as on December 31, 2024, translating into order book to operating ratio of 3.2 times providing medium-term revenue visibility. The order book is supported by fresh inflows in 9M FY2025 worth Rs. 966 crore. OCCPL's contracts have a tenure of 18-24 months, and majority consist of repeat orders from long-time customers like Arcelor Mittal Nippon Steel India Limited and Reliance Industries Limited. A timely commencement and execution of these orders is critical to sustain revenue visibility going forward. Most of the new contracts have in-built price escalation clauses, compared to the earlier fixed-price contracts of the company. In case of delays leading to cost overruns, the built-in price escalation clause in the recent contracts protects the operating margin from raw material price fluctuation risks to some extent.

Extensive experience of promoters; strong execution capabilities; reputed clientele – The company is promoted by Mr. Belle Seetharam Hariyanna Shetty and his family, who have an experience of over three decades in the piping and tankage construction industry. OCCPL has completed over 250 projects and has strong execution capabilities, which is evident from the repeat business secured from its customers. Its clientele includes large and reputed players in a diverse range of industries, including smelters, refineries, oil and gas, fertilisers and chemicals.

Credit challenges

Modest scale of operations – The company's scale of operations remains modest with construction revenue remaining volatile over the last five years, with a subdued CAGR of 1.5% during FY2019-FY2024. It is estimated to report lower single-digit revenue growth for FY2025, since most new orders were received in Q3 FY2025 and are in nascent stages of execution at year end. Given the stiff competition in the industry, its ability to regularly secure orders and improve its scale of operations, while sustaining profitability, remains a key monitorable.

Exposed to order book concentration risk – The company's business is largely driven by construction orders in India and some maintenance/equipment rental income from Nigeria and Jordan. Around 68% of the unexecuted order book as on December 31, 2024 is concentrated in Gujarat, West Bengal and Maharashtra. Moreover, out of the unexecuted order book, the petrochemicals and fertiliser plant segments accounted for ~62% combined. The top five orders made up 62% of the unexecuted order book and the top three clients contributed 48% to the unexecuted order book as on December 31, 2024, reflecting the moderate concentration risk.

Exposed to execution risk as sizeable projects are in nascent stages of execution – The company is exposed to execution risk as 84% of the order book as on December 31, 2024, remained in the nascent stages of execution (less than 25% executed). However, most of the order book consists of projects awarded in Q3 FY2025, which started execution in the subsequent quarter. Going forward, timely completion of large orders that are in nascent stages and maintaining a healthy working capital intensity would be a key monitorable. ICRA notes that the requisite approvals are in place for all the major orders, mitigating the execution risk to an extent. OCCPL is exposed to the inherent cyclicity in the construction industry and intense competition in the tender-based contract award system, resulting in volatility in revenues and pressure on margins. It is vulnerable to sizeable contingent liabilities in the form of bank guarantees (~Rs. 158.6 crore as on December 31, 2024), mainly towards performance guarantees and mobilisation advances. Nonetheless, ICRA draws comfort from OCCPL's healthy execution track record and no invocation of guarantees in the past.

Liquidity position: Adequate

The company's liquidity position is adequate, with free cash and liquid investments of ~Rs. 26.5 crore and undrawn fund-based limits of Rs. 50 crore as on March 31, 2025. Out of OD against FD facility of Rs. 100 crore, Rs. 35 crore was utilised as on March 31, 2025. OCCPL does not have any fixed repayment obligations for FY2026.

Rating sensitivities

Positive factors – The ratings might be upgraded if the company is able to significantly increase its scale of operations and improve its business diversification, while maintaining its profitability levels, low leverage and coverage metrics.

Negative factors – Negative pressure on the ratings may arise if lower-than-anticipated billing or sustained pressure on operating profitability results in weak coverage metrics. The ratings could also come under pressure if an elongation in the working capital cycle and/or support to other group entities weakens the company's liquidity cushion. Specific credit metrics that could lead to a downgrade include the interest coverage decreasing to less than 5 times on a consistent basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Construction
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

OCCPL, incorporated in 1995, is a closely-held private limited company managed by the Shetty family. The company executes mechanical construction works for several industries such as petrochemicals, fertilisers, paints, refineries, vegetable oils, food processing and pharmaceuticals. Its scope of work encompasses fabrication of underground and overhead pipes for entire plants, fabrication, erection and installation of storage tanks, equipment erection and installation, besides fabrication and installation of fire-fighting systems. It also undertakes revamp orders involving the dismantling, fabrication and re-erection of the existing plants/equipment. The company has operations in India, Jordan and Nigeria (operating through opening a branch), Dubai and Malaysia (operating through several associate companies).

Key financial indicators (audited)

OCCPL – Standalone	FY2023	FY2024
Operating income (Rs. crore)	360.0	416.8
PAT (Rs. crore)	25.8	28.3
OPBDIT/OI (%)	11.7%	10.5%
PAT/OI (%)	7.2%	6.8%
Total outside liabilities/Tangible net worth (times)	0.6	0.7
Total debt/OPBDIT (times)	0.4	0.6
Interest coverage (times)	9.9	7.0

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years		
	Type	Amount rated (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2023	Date & rating in FY2022
			May 20, 2025	April 05, 2024	Mar 17, 2023	Dec 31, 2021
1 Non-fund based limits	Short term	200.0	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+
2 Short-term - Unallocated limit	Short term	20.0	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+
3 Long-term/Short-term - Interchangeable ^	Long term/short term	(25.0)	[ICRA]A-(Stable)/[ICRA]A2+	[ICRA]A-(Stable)/[ICRA]A2+	[ICRA]A-(Stable)/[ICRA]A2+	[ICRA]A-(Stable)/[ICRA]A2+

^Long-term / Short-term –Interchangeable is a sublimit of non-fund based limit

Complexity level of the rated instruments

Instrument	Complexity indicator
Short-term - Non-fund based	Very simple
Long-term/Short-term - Interchangeable^	Very simple
Short-term – Unallocated limits	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Non-fund based limits (BG/LC)	NA	NA	NA	200.0	[ICRA]A2+
NA	Short-term - Unallocated limits	NA	NA	NA	20.0	[ICRA]A2+
NA	Long-term/Short-term Interchangeable^	NA	NA	NA	(25.0)	[ICRA]A-(Stable)/[ICRA]A2+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis - Not applicable

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