

Press Release

NARULA INFRASTRUCTURE PRIVATE LIMITED

January 02, 2018

Rating Assigned & Upgraded



| | |
|-------------------------------------|------------------------------|
| Total Bank Facilities Rated* | Rs. 21.00 Cr. |
| Long Term Rating | SMERA BBB- / Outlook: Stable |
| Short Term Rating | SMERA A3+ |

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (**read as SMERA BBB minus**) and upgraded short term rating of '**SMERA A3+**' (**read as SMERA A three plus**) on the Rs. 21.00 crore bank facilities of NARULA INFRASTRUCTURE PRIVATE LIMITED.. The outlook is '**Stable**'.

Narula Infrastructure Private Limited (NIPL) is a Kolkata-based company incorporated in 2005 by Mr. Haranjit Singh, Mr. Amrik Singh and Mr. Taranjit Singh. The company is engaged in civil construction, and maintenance and erection of telecommunication towers.

Key Rating Drivers

Strengths

- **Healthy financial riskprofile**

NIPL has a healthy financial risk profile marked by a net worth of Rs.50.75 crore as on 31 March, 2017 compared to Rs.39.57 crore as on 31 March, 2016. The debt to equity ratio of the company stood at 0.37 times as on 31 March, 2017 compared to 0.47 times as on 31 March, 2016. Further, the interest coverage ratio (ICR) of the company stood at 22.55 times for FY2017 compared to 17.75 times for FY2016. The company has a healthy debt service coverage ratio (DSCR) of 13.87 times for FY2017 compared to 6.49 times for FY2016.

- **Healthy revenuegrowth**

NIPL posted a healthy revenue growth to Rs.101.29 crore in FY2017 compared to Rs.83.49 crore in FY2016. The company posted revenue CAGR of 34 percent over FY2014 to FY2017.

- **Reputed clientele**

The company has a reputed clientele comprising Indus Towers, Vodafone, and Reliance Jio among others.

- **Experienced management**

NIPL was incorporated in 2005 and its directors have over two decades of experience in the telecom tower erection and maintenance business.

Weaknesses

- **Working capital intensiveoperations**

NIPL's operations are working capital intensive, marked by high gross current assets (GCA) of 170 days in FY2017 compared to 222 days in FY2016. The GCA are mainly dominated by high debtor days of 167 in FY2017 compared to 217 in FY2016. However, the creditor days also stood high at 654 in FY2017 compared to 1,057 in FY2016.

Analytical Approach

SMERA has considered the standalone financial and business risk profile of the company to arrive at the rating.

Outlook: Stable

SMERA believes the outlook on NIPL will remain 'Stable' over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case of further improvement in the company's scale of operations, while maintaining profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial profile.

About the Rated Entity - Key Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 101.29 | 83.49 | 65.36 |
| EBITDA | Rs. Cr. | 8.76 | 6.10 | 4.11 |
| PAT | Rs. Cr. | 5.59 | 3.77 | 2.15 |
| EBITDA Margin | (%) | 8.65 | 7.31 | 6.29 |
| PAT Margin | (%) | 5.52 | 4.52 | 3.30 |
| ROCE | (%) | 27.22 | 22.26 | 32.49 |
| Total Debt/Tangible Net Worth | Times | 0.37 | 0.47 | 0.55 |
| PBDIT/Interest | Times | 22.55 | 17.81 | 5.46 |
| Total Debt/PBDIT | Times | 1.03 | 1.43 | 2.03 |
| Gross Current Assets (Days) | Days | 140 | 177 | 157 |

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|------------|------------------|-----------------|
| 26-Sep-2016 | Bank Guarantee | Short Term | INR 17 | SMERA A4+ |
| 29-Jul-2015 | Bank Guarantee | Short Term | INR 17 | SMERA A4+ |
| | Bank Guarantee | Short Term | INR 17 | SMERA A4+ |

*Annexure - Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|------------------------------------|------------------|----------------|----------------|-----------------------------|-------------------|
| Term Loan | Not Applicable | Not Applicable | Not Applicable | 4.00 | SMERA BBB-/Stable |
| Bank guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 17.00 | SMERA A3+ |

Contacts

| Analytical | Rating Desk |
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