

Press Release

Narula Infrastructure Private Limited

June 26, 2019

Rating Upgraded and Reaffirmed



Total Bank Facilities Rated*	Rs.29.25 Cr. (Enhanced from Rs.27.00 Cr.)
Long Term Rating	ACUITE BBB / Outlook: Stable (Upgraded from ACUITE BBB-/Stable)
Short Term Rating	ACUITE A3+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded long-term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and reaffirmed short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) to the Rs.29.25 crore bank facilities of Narula Infrastructure Private Limited (NIPL). The outlook is '**Stable**'.

The rating has been upgraded on account of improvement in revenue profile while maintaining its financial risk profile and improvement in order book providing revenue visibility over the medium term.

Kolkata-based, Narula Infrastructure Private Limited (NIPL) was incorporated in 2005 by three brothers namely, Mr. Haranjit Singh, Mr. Amrik Singh and Mr. Taranjit Singh. The company is engaged in providing operational, maintenance and other allied services for telecommunication towers.

Analytical Approach

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

Key Rating Drivers

Strengths

• Established presence in tower maintenance service

NIPL is promoted by three brothers, namely, Mr. Taranjit Singh, Mr. Amrik Singh and Mr. Haranjit Singh. The promoters have experience of more than two decades in various industries including tower maintenance, transport, dairy, education, healthcare, among others. These promoters are well supported by second generation management. NIPL has been in operations since 2005. Over the span of fourteen years, the company has developed healthy relationship of around a decade with reputed clients such as Bharti Infratel Limited, Reliance corporate IT Park Limited, ATC Telecom Infrastructure Pvt Ltd and Indus Tower Ltd, among others.

Acuité believes that experienced management and healthy relationship with reputed clientele will support the company in securing repeated orders.

• Healthy financial risk profile

NIPL has healthy financial risk profile marked by net worth of Rs.39.57 crore as on 31 March, 2019 (provisional) as compared to Rs.30.74 crore as on 31 March, 2018. The debt to equity stood at 0.63 times as on March 31, 2019 (provisional) as compared to 0.53 times as on March 31, 2018. The debt has increased due to infusion of USL by promoters and higher working capital borrowing. Interest Coverage Ratio (ICR) stood at 9.70 times for FY19 (provisional) as compared to 12.42 times for FY18. The decline in ICR is on account of rise in interest cost during FY19. TOL/TNW stood at 1.52 times as on March 31, 2019 (provisional) as compared to Rs.1.15 times as on 31 March, 2018.

Acuité expects that NIPL will maintain healthy financial risk profile in absence of any debt funded capex. Further, investments in other firms beyond current level will be key risk sensitivity factor.

• **Healthy revenue growth**

NIPL's turnover has grown at CAGR of 27% over the last four years under study. The improvement in turnover is mainly on account of additional work order of shelter house construction in the state of Orissa. Further, for FY19-20, turnover will improve further with additional revenue source of electrification work in rural area. Further, the company has orders in hand of Rs. 291.00 crore executable in FY19-20. Out of this orders, Rs.184.00 crore orders are renewable on annual basis, thus providing revenue visibility over the medium term.

Weaknesses

• **Competitive and fragmented industry**

NIPL operates in a highly competitive and fragmented industry marked by presence of several organised and unorganised players, thus limiting bargaining power of the company.

Liquidity Position:

NIPL has strong liquidity position as reflected in healthy net cash accruals of Rs.6.13-10.92 crore against debt obligations of Rs.1.00-1.91 crore respectively over the last three years ending March 31, 2019. The excess of accruals over debt obligations provide sufficient liquidity cushion to meet its operating expenses. NIPL has generated positive cash flow of Rs.8.84 crore from operating activities during FY19. Further, the company maintained cash balance of Rs.3.13 crore as on March 31, 2019 (provisional). Bank limit utilisation was ~76% for the six months ended May 31, 2019. Utilisation is expected to remain moderate on account of efficient working capital cycle management. Current ratio was moderate at 1.32 times as on March 31, 2019.

Acuite believes that the liquidity is likely to remain strong over the medium term on account of healthy cash accrual vis-à-vis debt repayment obligations.

Outlook: Stable

Acuite believes that the outlook on NIPL will remain 'Stable' over the medium term on account of its experienced management and healthy relationship with reputed clients. The outlook may be revised to 'Positive' in case of further improvement in the company's scale of operations, while maintaining profitability and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in profitability or deteriorations in financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	209.59	124.85	101.29
EBITDA	Rs. Cr.	16.66	10.46	9.04
PAT	Rs. Cr.	8.83	5.26	5.59
EBITDA Margin	(%)	7.95	8.38	8.93
PAT Margin	(%)	4.21	4.22	5.52
ROCE	(%)	27.19	21.63	28.10
Total Debt/Tangible Net Worth	Times	0.63	0.53	0.37
PBDIT/Interest	Times	9.70	12.42	13.73
Total Debt/PBDIT	Times	1.45	1.48	1.00
Gross Current Assets (Days)	Days	106	113	123

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities in service sector - <https://www.acuite.in/view-rating-criteria-8.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
09-Apr-2018	Cash Credit	Long Term	6.00	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	4.00	ACUITE BBB-/Stable (Reaffirmed)
	Bank Guarantee	Short Term	17.00	ACUITE A3+ (Reaffirmed)
02-Jan-2018	Term Loan	Long Term	4.00	ACUITE BBB-/Stable (Assigned)
	Bank Guarantee	Short Term	17.00	ACUITE A3+ (Upgraded from ACUITE A4+)
26-Sep-2016	Bank Guarantee	Short Term	17.00	ACUITE A4+ (Reaffirmed)
29-Jul-2015	Bank Guarantee	Short Term	17.00	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	10.00 (Enhanced from Rs.6.00 crore)	ACUITE BBB/Stable (Upgraded from ACUITE BBB-/ Stable)
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.25 (Reduced from Rs.4.00 crore)	ACUITE BBB/Stable (Upgraded from ACUITE BBB-/ Stable)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	17.00	ACUITE A3+ (Reaffirmed)

Contacts

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About Acuité Ratings & Research:

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