

Press Release

Narula Infrastructure Private Limited

October 19, 2020



Rating upgraded

| | |
|-----------------------------|--|
| Total Bank Facilities Rated | Rs. 29.25 crore |
| Long Term Rating | ACUITE BBB/ Stable (Upgraded from ACUITE BB+) |
| Short Term Rating | ACUITE A3+ (Upgraded from ACUITE A4+) |

Rating Rationale

Acuite has upgraded the long term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short term rating to '**ACUITE A3+**' (read as **ACUITE A three plus**) from '**ACUITE A4+**' (read as **ACUITE A4 plus**) on the Rs.29.25 crore bank facilities of Narula Infrastructure Private Limited (NIPL). The outlook is '**Stable**'.

The rating was downgraded to ACUITE BB+/A4+ from ACUITE BBB/Stable/A3+ via rationale dated September 16, 2020. The downgrade was on account of information risk. However, they have now cooperated with Acuite in furnishing information required for the review process.

Narula Infrastructure Private Limited (NIPL) was incorporated in 17 January 2005 by three brothers, Mr. Haranjit Singh, Mr. Amrik Singh and Mr. Taranjit Singh. NIPL is engaged in providing operation and maintenance of telecom towers and its allied infrastructure activities. NIPL supplies erect & commission telecom towers for various clients including ATC Telecom Infrastructure Private Limited, Reliance Projects Property Management Services Limited and Everest Energy Limited. Apart from tele-communication industry, the company has taken up the civil work for Odisha State Government for Cyclone Shelter Project and rural electrification work for West Bengal, Tripura, Jharkhand and Bihar where they supply transformers, cables and does the erection work too.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management and long track record of operations

NIPL is part of the JIS Group. JIS Group has been established by Sardar Jodh Singh in the year 1948, which through the years have been engaged in various industries including dairy business, telecommunication, transportation, infrastructure, logistics, education, healthcare and social service. The company had started their operations from 2005 and is promoted by three brothers, namely Mr. Taranjit Singh, Mr. Amrik Singh and Mr. Haranjit Singh, having experience of more than a decade in the telecommunication industry. Acuite believes that experienced management and long track record of operations will support the steady business risk profile over the medium term.

• Long term relationship with reputed clients and healthy order book

Over the span of fifteen years, the company has developed a healthy relationship with reputed clients like ATC Telecom Infrastructure Private Limited, Reliance Projects Property Management Services Limited and Everest Energy Limited. Further, the company has orders in hand of Rs. 250.04 crore executable in FY2020-21. Out of these orders, Rs.158.04 crore orders are renewable on an annual basis, thus providing revenue visibility over the medium term. Acuite believes that long term healthy relationship with reputed clienteles will support the company in securing repeated orders.

• Healthy financial risk profile

The company's healthy financial risk profile is marked by moderate net worth, low gearing and strong debt

protection metrics. The net worth of the company increased to Rs.49.01 crores as on March 31, 2020(Provisional), compared to Rs.39.51 crores on March 31, 2019 due to retention of profits. The firm's gearing stood low at 0.75 times as on March 31, 2020(Provisional) as against 0.64 times as on March 31, 2019. The gearing increased marginally on account of additional funds infused by promoters in the company. The debt of Rs.36.64 crores mainly consists of short term debt of Rs. 18.25 crores and unsecured loans of Rs.15.99 crores as on March 31, 2020(Provisional). The debt protection metrics of the company is marked by Interest Coverage Ratio which stood at 10.97 times in FY2020 (Provisional) as against 9.61 times in FY2019 and Debt Service Coverage Ratio (DSCR) stood at 3.74 times in FY2020 (Provisional) as against 3.97 times in FY2019. The NCA/TD (Net Cash accruals to total debt) stood at 0.31 times in FY2020 (Provisional) as compared to 0.43 times in FY2019. Acuite believes that the financial risk profile of the company to remain the same due to steady accruals in the medium term supported by the absence of debt-funded capex plan.

Weaknesses

- **Moderately working capital intensive operations**

The operations of the company have remained moderately working capital intensive marked by Gross Current Asset (GCA) days of 119 days in FY2020 (Provisional) as against 105 days in FY2019. This is mainly on account of high other current assets of Rs.22.55 crores as on March 31, 2020 (Provisional) compared to Rs. 13.03 crores on March 31, 2019. The other current assets mainly consist of balance with government authorities of Rs.15.34 crores, retention money of Rs.4.53 crores and loans and advances of Rs.2.42 crores. The inventory days stood at 20 days in FY2020 (Provisional) compared to 10 days in FY2019. The debtors stood at 61 days in FY2020 (Provisional) and FY2019. The customers from telecom industry make payment within 15-30 days. However, due to the addition of a new segment which is shelter homes and electrification work, it takes 30-45 days to clear payment. Acuite believes that the improvement in working capital management will remain a key credit monitorable.

- **Competitive and fragmented industry**

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

Rating Sensitivity

- Improvement of working capital management
- Sustenance of the financial risk profile

Material Covenants

None

Liquidity Profile: Adequate

The company's liquidity is adequate, marked by high cash accruals of Rs.11.22 crore in FY2020 (Provisional) against debt repayments of Rs.1.55 crores during the same financial year. The net cash accruals are expected to be ranging from Rs.11.37 crores to Rs.12.47 crores over the medium term against no major debt repayment obligation for the same period. The current ratio stood comfortable at 1.66 times as on March 31, 2020(Provisional) as compared to 1.54 times as on March 31, 2019. However, the company's operations are moderately working capital intensive marked by gross current asset (GCA) days of 119 days in FY2020 (Provisional) compared to 105 days in FY2019. The bank limit remains utilized at 92 percent over six months ended on August, 2020 and has availed COVID loan of Rs. 2.45 crores. The unencumbered cash and bank balances stood at Rs.0.12 crores as on March 31, 2020 (Provisional). Acuite believes the liquidity of the company will remain strong marked by steady cash accruals over the medium term.

Outlook: Stable

Acuite believes that NIPL will maintain a 'Stable' outlook over the medium term from the long track record of operations, experience of its management and healthy order book and comfortable financial risk profile. The outlook may be revised to 'Positive' if there is substantial improvement in its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure and debt protection metrics.

About the Rated Entity - Key Financials

| | Unit | FY20 (Prov) | FY19 (Actual) |
|-------------------------------|---------|-------------|---------------|
| Operating Income | Rs. Cr. | 209.45 | 209.64 |
| PAT | Rs. Cr. | 9.50 | 8.77 |
| PAT Margin | (%) | 4.54 | 4.19 |
| Total Debt/Tangible Net Worth | Times | 0.75 | 0.64 |
| PBDIT/Interest | Times | 10.97 | 9.61 |

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Services Entities – <https://www.acuite.in/view-rating-criteria-50.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition – <https://www.acuite.in/view-rating-criteria-52.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|---------------|---------------------------------|------------|--|---|
| 16-Sep-2020 | Cash Credit | Long Term | 10.00 | ACUITE BB+ (Downgraded from ACUITE BBB/Stable; Issuer not Cooperating) |
| | Term Loan | Long Term | 2.25 | ACUITE BB+ (Downgraded from ACUITE BBB/Stable; Issuer not Cooperating) |
| | Bank Guarantee | Short Term | 17.00 | ACUITE A4+ (Downgraded from ACUITE A3+; Issuer not Cooperating) |
| 26-Jun-2019 | Cash Credit | Long Term | 10.00 (Enhanced from Rs.6.00 crore) | ACUITE BBB/Stable (Upgraded from ACUITE BBB-/Stable) |
| | Term Loan | Long Term | 2.25 (Reduced from Rs. 4.00 crore) | ACUITE BBB/Stable (Upgraded from ACUITE BBB-/Stable) |
| | Bank Guarantee | Short Term | 17.00 | ACUITE A3+ (Reaffirmed) |
| 09-April-2019 | 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 (Reaffirmed) |
| | 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.) Crore) | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|--------------------------------|---|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 10.00 | ACUITE BBB/ Stable (Upgraded from ACUITE BB+) |
| Term Loan | Not Available | Not Applicable | Not Available | 2.25 | ACUITE BBB/ Stable (Upgraded from ACUITE BB+) |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 17.00 | ACUITE A3+ (Upgraded from ACUITE A4+) |

Contacts

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About Acuité Ratings & Research:

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