

Press Release

Narula Infrastructure Private Limited

July 22, 2021



Rating Withdrawn

Total Bank Facilities Rated*	Rs.29.25 Cr.
Long Term Rating	ACUITE BBB (Withdrawn)
Short Term Rating	ACUITE A3+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has reviewed and withdrawn the long term rating of '**ACUITE BBB**' (**read as ACUITE triple B**) and the short term rating of '**ACUITE A3+**' (**read as ACUITE A three plus**) to the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. The rating withdrawal is in accordance with Acuité's policy on withdrawal of rating and on account of request received from the company and no dues certificate received from bankers.

About Company

Narula Infrastructure Private Limited (NIPL) is incorporated on 17 January 2005 by three brothers, Haranjit Singh, Amrik Singh and Taranjit Singh. NIPL is engaged in providing operation and maintenance of telecom towers and its allied infrastructure activities. NIPL supplies, erects & commissions 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 have to supply transformers, cables and do the erection work.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experience 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. Acuité believes that experienced management and long track record of operations will support the steady business risk profile over the medium term.

• Healthy financial risk profile

The financial risk profile of the group stood healthy marked by moderate net worth, low gearing and moderate debt protection metrics. The tangible net worth stood at Rs.49.17 crore as on March 31, 2020 as against Rs.39.51 crore as on March 31, 2019. The total debt of the group stood at Rs.36.63 crore includes Rs.2.40 crore of long term debt, Rs.15.99 crore of unsecured loans and Rs.18.25 crore of short term debt as on March 31, 2020. The gearing (debt-equity) stood low at 0.75 times as on March 31, 2020 as compared to 0.64 times as on March 31, 2019. Interest Coverage Ratio stood at 11.08 times for FY2020 as against 9.61 times for FY2019. Debt Service Coverage Ratio (DSCR) stood at 3.80 times in FY2020 as against 3.97 times in FY2019. Total outside Liabilities/Total Net Worth (TOL/TNW) stood high at 1.19 times as on March 31, 2020 as

against 1.34 times on March 31, 2019. Net Cash Accruals to Total Debt (NCA/TD) also stood moderate at 0.31 times for FY2020 as against 0.43 times for FY2019.

Acuité believes that the financial risk profile of NIPL will continue to be same over the medium term.

Weaknesses

- **Intensive working capital cycle**

The company has an intensive working capital cycle marked by Gross Current Assets (GCA) days of 124 days in FY2020 as against 105 days in FY2019. The debtor days stood at 61 days in FY2020 as against 61 days in FY2019. The inventory days stood at 20 days in FY2020 as against 16 days in FY2019. The average bank limit utilization stood at 73.04 percent for the last 6 months ended May 2021. As per the YTD figures, the working capital management stood intensive days marked by GCA days of 164 days marked by debtors days of 93 days and inventory days of 17 days in FY2021.

Acuité believes that efficient working capital management will be crucial to the company in order to maintain a healthy risk profile.

- **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 Sensitivities

Not Applicable

Material Covenants

None

Liquidity Position: Adequate

The company has stretched liquidity marked by average net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.0.45-0.60 crore during the last three years through 2018-20. The company working capital operation is intensive marked by gross current asset (GCA) of 338 days in FY2021 (Prov.) as against 247 days in FY2020. The company maintains an unencumbered cash and bank balances of Rs.0.03 crore as on March 31, 2021 (Prov.). The current ratio of the group stood at 1.22 times as on March 31, 2021 (Prov.). The average bank limit utilization stood low at around 48.20 percent for the last 6 months ended April 2021.

Outlook: Not Applicable

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	209.73	209.64
PAT	Rs. Cr.	9.66	8.77
PAT Margin	(%)	4.60	4.19
Total Debt/Tangible Net Worth	Times	0.75	0.64
PBDIT/Interest	Times	11.08	9.61

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

Not Applicable

Any other information

None.

Applicable Criteria

- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.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
19-Oct-2020	Cash Credit	Long Term	10.00	ACUITE BBB/Stable (Upgraded)
	Term Loan	Long Term	2.25	ACUITE BBB/Stable (Upgraded)
	Bank Guarantee	Short Term	17.00	ACUITE A3+ (Upgraded)
16-Sept-2020	Cash Credit	Long Term	10.00	ACUITE BB+ (Downgraded & Indicative)
	Term Loan	Long Term	2.25	ACUITE BB+ (Downgraded & Indicative)
	Bank Guarantee	Short Term	17.00	ACUITE A4+ (Downgraded & Indicative)
26-Jun-2019	Cash Credit	Long Term	10.00	ACUITE BBB/Stable (Upgraded)
	Term Loan	Long Term	2.25	ACUITE BBB/Stable (Upgraded)
	Bank Guarantee	Short Term	17.00	ACUITE A3+ (Reaffirmed)
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)

*The issuer did not co-operate; based on best available information.

***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	ACUITE BBB (Withdrawn)
Term Loan	Jan-2017	8.85	Mar-2022	2.25	ACUITE BBB (Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	17.00	ACUITE A3+ (Withdrawn)

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About Acuité Ratings & Research:

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