

Press Release

Nitasha Constructions

July 23, 2019

Rating Downgraded, Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs.15.00 Cr.
Long Term Rating	ACUITE B+/ Outlook: Stable (Downgraded)
Short Term Rating	ACUITE A4 (Reaffirmed and Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has downgraded the long term rating to '**ACUITE B+**' (read as **ACUITE B plus**) from '**ACUITE BB-**' (read as **ACUITE double B minus**) and reaffirmed the short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.13.00 crore bank facilities of Nitasha Constructions. The outlook is '**Stable**'.

Further Acuite has assigned short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.2.00 crore bank facilities of Nitasha Constructions.

The rating downgrade reflects decline in revenue and deterioration of working capital cycle, due to delay in payment from the government bodies. Operating Income for 12MFY2019 stood at Rs.7.00 crore as against Rs.16.75 crore in the previous year.

Nitasha Constructions (NC) was established as a proprietorship concern in 1987 and subsequently converted into a partnership firm in 2012 and is promoted by Mr. Prakash Bhambhani and Mr. Ashish Bhambhani. The firm is engaged in setting up of sewage treatment plants, erection and commissioning of air conditioner plants, boilers, solar power plants for MES and other bodies as the Central Public Works Department.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the NC to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced management and long track record of operations

Nitasha Construction was established as a proprietorship concern in 1987 and was converted into a partnership firm in 2012. The firm is promoted by Mr. Prakash Bhambhani and his son Mr. Ashish Bhambhani. Mr. Prakash Bhambhani has an experience of more than three decades in the construction business. Over the years, the firm has been able to establish comfortable relationships with their key clients namely MES Central Public Works Department, RITES among others. Acuite believes that experienced management and long track record of operations will benefit the firm in the short run.

Weaknesses

• Modest scale of operations

Scale of operations of Nitasha Constructions is modest marked by operating income of Rs.16.75 crore in FY2018 as against Rs.16.27 crore in FY2017, further operating income for 12MFY2019 stood at Rs.7.00 crore. EBITDA margins for the FY2018 stood at 14.61 percent as against 15.35 percent in the previous year, going forward EBITDA margins for 12MFY2019 stood at 24 percent.

• Working capital intensive operations

Operations of NC are working capital intensive marked by Gross Current Asset (GCA) of 565 days in FY2018 as compared to 452 days in FY2017. Due to delay in payments from government bodies, debtors' collection period stood at 278 days in FY2018 as against 213 days in FY2017. Further, Inventory holding period stood at 264 days in FY2018 as against 218 days in FY2017. Current ratio of the firm stood moderate at 1.74 times as on 31 March, 2018 as against 2.02 as on 31 March, 2018. Acuite believes that the working capital operations of NC will continue to remain intensive on account of high level of debtor's collection period and Inventory holding period.

• Average Financial Risk Profile

NC has average financial risk profile marked by average net worth, average debt protection metrics and high gearing. The net worth of the firm stood at Rs.8.23 crore as on 31 March 2019 (Provisional) as against Rs.8.15 crore as on 31 March 2018. The gearing level (debt-equity) stood stable at 1.54 times as on 31 March 2019 (Provisional) as against 1.49 times as on 31 March 2018. The total debt of Rs.12.68 crore as on 31 March 2019 (Provisional) consists of long term debt of Rs.0.16 crore, unsecured loans of Rs.4.44 and working capital borrowings of Rs.8.08 crore. Coverage indicators of NC are average marked by interest coverage ratio (ICR) which stood stable at 1.99 times in FY2018 as against 1.78 times in FY2017. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.10 times in FY2018 and 0.09 times in FY2017. Debt to EBITDA stood at 5.08 times in FY2018 as against 4.75 times in FY2017. Acuite believes that the financial risk profile of the firm is expected to remain average backed by moderate net cash accruals and in absence of any major debt funded capex in near to medium term.

Liquidity Profile

The firm has adequate liquidity marked by average net cash accruals to its maturing debt obligations. NC generated cash accruals of Rs.1.24 crore in FY2018 against debt obligations of Rs.0.06 crore for the same period. The cash accruals of the firm are estimated to remain in the range of around Rs.0.24 crore to Rs.1.94 crore during FY2019-21 against repayment obligations from Rs.0.06 to Rs.0.04 crore during FY2019-21. The firm's working capital operations are intensive marked by gross current asset (GCA) days of 565 days in FY2018. Firm maintains unencumbered cash and bank balances of Rs.0.46 crore as on 31 March 2018. The current ratio stands at 1.74 times as on 31 March 2018 (Provisional). Acuite believes that the liquidity of the firm is likely to remain adequate over the medium term on account of average cash accruals against no major debt repayments over the medium term.

Outlook: Stable

Acuite believes that the outlook on NC's facilities will remain 'Stable' over the medium term on account of its promoters' extensive experience and healthy order book. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability largely facilitated through improvement in capacity utilization. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile, particularly its liquidity most likely as a result of higher than envisaged working capital requirements or higher than anticipated capex.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	16.75	16.27	15.18
EBITDA	Rs. Cr.	2.45	2.50	2.15
PAT	Rs. Cr.	1.14	0.95	0.88
EBITDA Margin	(%)	14.61	15.35	14.15
PAT Margin	(%)	6.83	5.85	5.80
ROCE	(%)	11.64	12.84	12.70
Total Debt/Tangible Net Worth	Times	1.54	1.49	1.34
PBDIT/Interest	Times	1.99	1.87	2.00
Total Debt/PBDIT	Times	5.08	4.75	4.61
Gross Current Assets (Days)	Days	565	452	440

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Infrastructure Entities- <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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-July-19	Cash Credit	Long term	8.00	ACUITE BB- Issuer not co-operating
	Bank Guarantee/ Letter of Guarantee	Short term	5.00	ACUITE A4 Issuer not co-operating
17-Apr-18	Cash Credit	Long term	8.00	ACUITE BB-/ Stable (Assigned)
	Bank Guarantee/ Letter of Guarantee	Short term	5.00	ACUITE A4/ Stable (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	8.00	ACUITE B+ / Stable (Downgraded from ACUITE BB-/Stable)
Bank Guarantee/ Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A4 (Reaffirmed and Assigned)

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About Acuite Ratings & Research:

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