

Press Release

Nitasha Constructions

July 15, 2020



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) and the short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 15.00 crore bank facilities of Nitasha Constructions (NC). The outlook is '**Stable**'.

Chandigarh-based, NC was established in 1987 and was later converted to a partnership firm in 2012 and it is promoted by Mr. Prakash Bhambani and Mr. Ashish Bhambani. 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

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

Key Rating Drivers

Strengths

- **Experienced management**

Chandigarh-based, NC was established in 1987; thus, the firm has had a long operational track record of over three decades in the infrastructure construction industry. The firm is promoted by Mr. Prakash Bhambani and Mr. Ashish Bhambani, who combined have over 50 years of experience in the aforementioned industry. The long track record of operations and rich experience of the management has enabled the firm in developing long and healthy relationships with its customers which are 100% Government entities. Acuité believes that NC will sustain its existing business profile on the back of an established track record of operations and experienced management.

Weaknesses

- **Average financial risk profile**

NC has an average financial risk profile marked by average net worth, average debt protection metrics and moderate gearing. The net worth of the firm stood at Rs.20.39 crore as on 31 March, 2020 (Provisional) as against Rs. 14.81 crores in the previous year. The gearing level (debt-equity) stood low at 0.39 times as on 31 March, 2020 (Provisional) and the total debt of Rs.7.97 crore as on 31 March, 2020 (Provisional) consists of long term debt of Rs.0.05 crore and working capital borrowings of Rs.7.92 crore. The interest coverage ratio (ICR) stood average at 1.57 times in FY2020 (Provisional) and 1.22 times in the previous year. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.09 times in FY2020 (Provisional) and 0.04 times in FY2019 whereas Debt to EBITDA stood at 3.85 times in FY2020 (Provisional).

- **Working capital intensive nature of operations**

The firm has intensive working capital operations marked by Gross Current Assets (GCA) of 740 days for FY2020 (Provisional) which improved from 1377 days in FY2019 however still remained high. This is mainly due to debtors standing high at 519 days for FY2020 (Provisional) as against 944 days for

FY2019. The stretch in the debtor collection period is on account of delayed payments from the clients. The inventory level stood at 179 days for FY2020 (Provisional) as against 376 days for FY2019. Further, the average bank limit utilization stood at ~100 percent for the past six months ended May 2020. Moreover, there is an elongation of creditor days at 183 for FY2020 (Provisional). Acuité believes that the firm's ability to improve its working capital efficiently will remain a key to maintain stable credit profile.

Rating Sensitivity Factor

- Significant improvement in scale of operations, while maintaining profitability margins
- Further deterioration in working capital cycle leading to the deterioration of financial risk profile and liquidity.

Material Covenants

None

Liquidity Position: Stretched

NC has stretched liquidity marked by average net cash accruals against maturing debt obligations and high utilization of bank limits. The firm generated cash accruals of Rs. 0.75 crore for FY2020 (Prov.) against debt obligations of Rs. 0.02 crore for the same period. The cash accruals of the firm are estimated to remain in the range of around Rs. 0.96 crore to Rs. 0.97 crore during FY 2021-23. The firm's working capital operations are intensive marked by Gross Current Asset (GCA) days of 740 days for FY2020 (Provisional) against 1377 days in the previous year. NC maintains cash and bank balances of Rs. 0.07 crore as on 31 March, 2020 (Provisional). The current ratio stood at 2.53 times as on 31 March, 2020 (Provisional). Further, the firm nearly fully utilized its working capital limits in the last 6 months ended in 31 May 2020. Acuite believes that the liquidity of the firm is expected to be stretched over the medium term on account of average cash accruals over the medium term and high utilization of bank limits.

Outlook: Stable

Acuité believes that the outlook on NC's facilities will remain 'Stable' over the medium term on account of experienced management and a healthy order book position. The outlook may be revised to 'Positive' if the firm achieves higher than expected revenue while improving profitability and effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	14.56	7.27
PAT	Rs. Cr.	0.68	0.22
PAT Margin	(%)	4.66	2.99
Total Debt/Tangible Net Worth	Times	0.39	0.55
PBDIT/Interest	Times	1.57	1.22

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector 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 (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
23-July-2019	Cash Credit	Long term	8.00	ACUITE B+/Stable (Downgraded from

				ACUITE BB-/Stable)
	Bank Guarantee	Short term	7.00	ACUITE A4 (Reaffirmed and Assigned)
09-July-2019	Cash Credit	Long term	8.00	ACUITE BB- Issuer not co-operating
	Bank Guarantee	Short term	5.00	ACUITE A4 Issuer not co-operating
17-Apr-2018	Cash Credit	Long term	8.00	ACUITE BB-/Stable (Assigned)
	Bank Guarantee	Short term	5.00	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	8.00	ACUITE B+/ Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A4 (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Nikhilesh Pandey Rating Analyst - Rating Operations Tel: 011-4973 1304 nikhilesh.pandey@acuite.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité