

**Press Release**  
**NKG INFRA STRUCTURE LIMITED**  
**July 03, 2024**  
**Rating Downgraded**



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term
Bank Loan Ratings	350.00	ACUITE BBB+   Stable   Downgraded	-
Bank Loan Ratings	1050.00	-	ACUITE A2+   Downgraded
<b>Total Outstanding Quantum (Rs. Cr)</b>	1400.00	-	-

**Rating Rationale**

Acuite has downgraded its long-term rating to '**ACUITE BBB+**' (read as **ACUITE triple B plus**) from '**ACUITE A-**' (read as **ACUITE A minus**) and short-term rating to '**ACUITE A2+**' (read as **ACUITE A two plus**) from '**ACUITE A1**' (read as **ACUITE A one**) on the Rs 1400.00 Cr. bank facilities of NKG Infrastructure Limited (NKG). The outlook is '**Stable**'.

**Rationale for rating downgrade**

The rating revision takes into consideration the ongoing Enforcement Directorate and CBI investigations against the company and its erstwhile directors on the charges of money laundering related to alleged irregularities in receipt of contracts of Delhi Jal Board. However, the matter is currently sub-judice. Further, the rating also takes into account slow receipt of new orders. The company has received only one new order in last two financial years. In terms of operating performance, the operating margin recorded a decline as it stood at 8.04 percent in FY2024 (Prov.) as against 11.04 percent in FY2023.

The rating continues to derive strength from the healthy financial risk profile of the company marked by low gearing and comfortable debt protection metrics. Going forward, the resolution of ongoing investigation and receipt of new orders and their timely executions shall be key rating monitorables.

**About the Company**

NKG was originally set up by Mr. Naresh Kumar Garg and his family members in 1976 as a partnership firm, NK Garg and Company. In 1989 the company was reconstituted as Private limited and in 2005 as Public Limited Company. During its initial years of operations, NKG was involved in construction of roads in and around Ghaziabad (Uttar Pradesh). With 30 years of experience in the construction industry, NKG has completed over 500 infrastructure projects in 15 different Indian states across various sectors like roads, bridges, buildings, water and sewage treatment plants, water pipelines, rainwater harvesting, electric transmission distribution stations/substations, and solar power plants. Major clients of the company are the public limited and Government owned like National Highway Authority of India (NHAI), Public Works Department in major states (PWD), Airport Authority of India (AAI), Employees' State Insurance (ESI), HSCC, NBCC, CPWD, DG-MAP, AIMS, MES, B&R Company India Limited, UPRNN etc.

**Unsupported Rating**

Not applicable

**Analytical Approach**

Acuite has taken a standalone view of the business and financial risk profile of NKG

## Key Rating Drivers

### Strengths

#### Established track record of operations

NKG was originally set up by Mr. Naresh Kumar Garg and his family members in 1976 as a partnership firm, NK Garg and Company. The firm was reconstituted as a private limited company, NK Garg and Company Pvt Ltd, in 1989, changed the name as NKG Infrastructure Pvt Ltd in 2005 and as a public limited company with the current name in 2006. The company has a long track record of more than four decades in the execution and construction of infrastructure projects in different states.

In terms of operating performance, the operating income of the company stood at Rs. 2177.87 Cr. in FY2024(Prov.) as against Rs.1527.51 Cr. in FY2023 and Rs. 1727.56 Cr. in FY2022. The operating margins also recorded a fluctuating trend as it stood at 8.04 percent in FY2024 (Prov.) as against 11.04 percent in FY2023 and 10.93 percent in FY2022. As on March, 2024 the outstanding unexecuted orderbook stood at Rs. 5270.18 Cr, however, addition of new orders to the orderbook has been low in recent past.

Acuité believes NKG will continue to benefit from its established track of operations and extensive experience of the management.

#### Healthy Financial Risk Profile

The financial risk profile of the company is healthy marked by high net worth, low gearing, and comfortable debt protection metrics. The tangible net worth of the company stood high at Rs. 1041.41 crore in FY24(Prov) as compared to Rs. 949.41 crore in FY23. The total debt of the company stood at Rs. 288.41 crore as on 31st March 2024(Prov) as against Rs. 315.69 Crore as on 31st March 2023. The debt outstanding of the company comprises of long-term debt of Rs. 65.18 crore, Unsecured loans worth Rs. 17.68 crore and Rs. 205.55 crore of short-term debt as on March 31, 2024 (Prov.). The gearing of the company remained low at 0.28 times as on 31 March 2024(Prov). The TOL/TNW stood at 0.58 times as on 31st March 2024(Prov) against 0.76 times as on 31st March 2023. The interest coverage and debt service coverage ratio stood comfortable at 3.02 times and 1.77 times respectively in FY2024(Prov.) as against 3.52 times and 2.40 times in FY2023.

### Weaknesses

#### Working Capital Intensive Nature of Operations

The working operations of the company are intensive in nature marked by GCA days of 187 days in FY2024(Prov) against 275 days for FY2023. The high GCA days is majorly on account from inventory days due to the nature of the construction industry which has a higher work in progress construction projects. Debtor days stood at 34 days in FY2024 (Prov) and 35 days in FY2023 against 87 days in FY2022. This improvement was majorly due to the timely realization of debtors from Government Authorities. The inventory levels of the company stood at 110 days in FY2024 (Prov) compared against 192 days for FY23. The creditor days of the company stood at 44 days for FY24(Prov) compared against 85 days in FY23. The average bank limit utilisation stood at ~93.10 percent for its fund based facilities and 92.44 percent for its non-fund based facilities for six months ended May, 2024. Acuité believes that the working capital management from the company will remain a key rating sensitivity going ahead.

#### Exposure to Intense competition in a fragmented industry

The infrastructure is a fairly fragmented industry with a presence of few large pan India players where subcontracting & project specific partnerships for technical/financial reasons are fairly common. The company faces stiff competition with its competitors in procuring orders through bidding, immense competition for procuring tenders leads to very competitive pricing which in turn lead to stress on the margins. Moreover, susceptibility of raw material pricing again keeps profit margin vulnerable and is a key sensitivity factor. However, presence of price escalation clause prevents the company from exposure to raw material price fluctuations to some

extent. Also, the vast experience of the promoters give the company an edge in procuring big size ticket orders but the stability of the order size in diversified segment is a key sensitive factor.

### **ESG Factors Relevant for Rating**

The infrastructure development industry has a significant social impact since it is a labour intensive business. Further, community support and development, employee safety and human rights are material factors from the social perspective. Governance issues that assume relevance include board and management compensation, shareholders rights and board diversity. The extent of direct or indirect emissions and the efficiency of deployment of vehicle fleets and heavy machinery has a considerable impact in the environmental performance of this industry. Since material costs are relatively high, strategies should be in place to reduce wastages and recycle raw materials to the extent possible to minimise the environmental impact. NKG adheres to execute the project with consistent cost control and quality assurance. The social initiatives of NKG includes activities like eye donation camps, blood donation camps, plantation activities and development of 200 houses for labor forces. The company conducts the social events for the upliftment of labour forces. On the corporate governance front, the company applies internal governance structures such as Code of Conduct, Business Excellence Model and Code of corporate disclosure policies. Also, the NKG has separate Audit Committee and Nomination and Remuneration Committee.

### **Rating Sensitivities**

- > Addition of new orders and their timely execution leading to improvement in scale of operations and profitability margin
- > Resolution of ongoing ED and CBI investigation
- > Improvement in working capital cycle leading to improvement in liquidity position

### **Liquidity Position**

#### **Adequate**

The liquidity position of the company remained adequate on account of moderate net cash accruals against maturing debt obligations. The net cash accruals of the company stood at Rs. 105.95 Cr. in FY24 (Prov) against matured debt obligations of Rs. 34.16 Cr. during the same period. The company is estimated to generate net cash accruals in the range of Rs. 119-Rs.140 Cr. in FY2024-26 against maturing debt obligations of Rs. 30-36 Cr. The operations remain working capital intensive marked by GCA days of 187 days as on March 31, 2024 (Prov.), leading to increased reliance on bank limits for working capital support. The average bank limit utilisation stood at ~93.10 percent for its fund based facilities and 92.44 percent for its non-fund based facilities for six months ended May, 2024.

### **Outlook: Stable**

Acuité believes the outlook on NKG will remain 'Stable' over the medium term backed by its long track record of operations and healthy financial risk profile. The outlook may be revised to 'Positive' in case of favourable resolution of ongoing investigation and receipt of new orders and timely execution leading to improvement its scale of operation along with sustenance in the profitability margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in liquidity profile due to increase in working capital requirement.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	1527.51	1727.56
PAT	Rs. Cr.	59.59	75.84
PAT Margin	(%)	3.90	4.39
Total Debt/Tangible Net Worth	Times	0.33	0.31
PBDIT/Interest	Times	3.52	4.29

### 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 Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Apr 2023	Cash Credit	Long Term	30.00	ACUITE A-   Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A-   Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	69.68	ACUITE A-   Stable (Reaffirmed)
	Cash Credit	Long Term	100.00	ACUITE A-   Stable (Reaffirmed)
	Cash Credit	Long Term	22.50	ACUITE A-   Stable (Reaffirmed)
	Cash Credit	Long Term	17.50	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	12.64	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	5.97	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	0.08	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	14.39	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	16.89	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	2.38	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	3.48	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	2.40	ACUITE A-   Stable (Reaffirmed)
	Cash Credit	Long Term	35.00	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	4.98	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	0.17	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	0.63	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	0.31	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE A-   Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	395.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	100.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	90.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	77.50	ACUITE A1 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	50.00	ACUITE A1 (Reaffirmed)
	Proposed Bank Guarantee	Short Term	197.50	ACUITE A1 (Reaffirmed)
		Short		

	Bank Guarantee (BLR)	Term	140.00	ACUITE A1 (Reaffirmed)
04 Mar 2022	Term Loan	Long Term	18.29	ACUITE A-   Stable (Assigned)
	Term Loan	Long Term	0.12	ACUITE A-   Stable (Assigned)
	Term Loan	Long Term	0.82	ACUITE A-   Stable (Assigned)
	Term Loan	Long Term	4.85	ACUITE A-   Stable (Assigned)
	Proposed Long Term Loan	Long Term	54.21	ACUITE A-   Stable (Assigned)
	Cash Credit	Long Term	30.00	ACUITE A-   Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE A-   Stable (Assigned)
	Proposed Cash Credit	Long Term	35.00	ACUITE A-   Stable (Assigned)
	Cash Credit	Long Term	100.00	ACUITE A-   Stable (Assigned)
	Cash Credit	Long Term	57.50	ACUITE A-   Stable (Assigned)
	Cash Credit	Long Term	17.50	ACUITE A-   Stable (Assigned)
	Term Loan	Long Term	10.59	ACUITE A-   Stable (Assigned)
	Term Loan	Long Term	2.39	ACUITE A-   Stable (Assigned)
	Term Loan	Long Term	0.11	ACUITE A-   Stable (Assigned)
	Term Loan	Long Term	8.62	ACUITE A-   Stable (Assigned)
	Bank Guarantee (BLR)	Short Term	395.00	ACUITE A1 (Assigned)
	Bank Guarantee (BLR)	Short Term	110.00	ACUITE A1 (Assigned)
	Bank Guarantee (BLR)	Short Term	90.00	ACUITE A1 (Assigned)
	Bank Guarantee (BLR)	Short Term	50.00	ACUITE A1 (Assigned)
	Bank Guarantee (BLR)	Short Term	50.00	ACUITE A1 (Assigned)
	Proposed Bank Guarantee	Short Term	355.00	ACUITE A1 (Assigned)



## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	395.00	ACUITE A2+   Downgraded ( from ACUITE A1 )
ICICI Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	100.00	ACUITE A2+   Downgraded ( from ACUITE A1 )
Axis Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	90.00	ACUITE A2+   Downgraded ( from ACUITE A1 )
Central Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	50.00	ACUITE A2+   Downgraded ( from ACUITE A1 )
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	140.00	ACUITE A2+   Downgraded ( from ACUITE A1 )
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	97.50	ACUITE A2+   Downgraded ( from ACUITE A1 )
Union Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	77.50	ACUITE A2+   Downgraded ( from ACUITE A1 )
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB+   Stable   Downgraded ( from ACUITE A- )
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	22.50	ACUITE BBB+   Stable   Downgraded ( from ACUITE A- )
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	100.00	ACUITE BBB+   Stable   Downgraded ( from ACUITE A- )
ICICI Bank	Not avl. /	Cash	Not avl. /	Not avl.	Not avl.			ACUITE BBB+   Stable

Ltd	Not appl.	Credit	Not appl.	/ Not appl.	/ Not appl.	Simple	10.00	Downgraded ( from ACUITE A- )
Central Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	17.50	ACUITE BBB+   Stable   Downgraded ( from ACUITE A- )
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	35.00	ACUITE BBB+   Stable   Downgraded ( from ACUITE A- )
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE BBB+   Stable   Downgraded ( from ACUITE A- )
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	100.00	ACUITE A2+   Downgraded ( from ACUITE A1 )
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	64.65	ACUITE BBB+   Stable   Downgraded ( from ACUITE A- )
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.69	ACUITE BBB+   Stable   Downgraded ( from ACUITE A- )
Hinduja Leyland Finance Ltd.	Not avl. / Not appl.	Term Loan	07 Apr 2022	Not avl. / Not appl.	07 Mar 2026	Simple	0.12	ACUITE BBB+   Stable   Downgraded ( from ACUITE A- )
MERCEDES-BENZ FINANCIAL SERVICES INDIA PRIVATE LIMITED (ERSTWHILE DAIMLER FINANCIAL SERVICES INDIA PRIVATE LIMITED)	Not avl. / Not appl.	Term Loan	18 May 2022	Not avl. / Not appl.	18 Apr 2027	Simple	0.50	ACUITE BBB+   Stable   Downgraded ( from ACUITE A- )
Caterpillar Financial Services Private Ltd.	Not avl. / Not appl.	Term Loan	05 Dec 2022	Not avl. / Not appl.	05 Oct 2024	Simple	0.15	ACUITE BBB+   Stable   Downgraded ( from ACUITE A- )



Tata Motors Finance Solutions Ltd.	Not avl. / Not appl.	Term Loan	02 Feb 2020	Not avl. / Not appl.	11 Sep 2024	Simple	1.00	ACUITE BBB+   Stable   Downgraded ( from ACUITE A- )
Unity Small Finance Bank Limited	Not avl. / Not appl.	Term Loan	04 Jan 2024	Not avl. / Not appl.	04 Jun 2025	Simple	0.40	ACUITE BBB+   Stable   Downgraded ( from ACUITE A- )
Bajaj Finance Ltd.	Not avl. / Not appl.	Term Loan	02 Sep 2023	Not avl. / Not appl.	02 Aug 2028	Simple	0.39	ACUITE BBB+   Stable   Downgraded ( from ACUITE A- )
Axis Bank	Not avl. / Not appl.	Term Loan	20 Sep 2019	Not avl. / Not appl.	10 Aug 2028	Simple	10.72	ACUITE BBB+   Stable   Downgraded ( from ACUITE A- )
HDB Financial Services Ltd.	Not avl. / Not appl.	Term Loan	04 Nov 2021	Not avl. / Not appl.	04 Sep 2026	Simple	8.58	ACUITE BBB+   Stable   Downgraded ( from ACUITE A- )
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	05 Oct 2019	Not avl. / Not appl.	05 Sep 2024	Simple	0.04	ACUITE BBB+   Stable   Downgraded ( from ACUITE A- )
Indusind Bank Ltd	Not avl. / Not appl.	Term Loan	04 Feb 2020	Not avl. / Not appl.	10 Sep 2027	Simple	12.25	ACUITE BBB+   Stable   Downgraded ( from ACUITE A- )
Kotak Mahindra Bank	Not avl. / Not appl.	Term Loan	15 Oct 2018	Not avl. / Not appl.	20 Oct 2026	Simple	13.49	ACUITE BBB+   Stable   Downgraded ( from ACUITE A- )
Kotak Mahindra Prime Limited	Not avl. / Not appl.	Term Loan	02 May 2019	Not avl. / Not appl.	05 Nov 2028	Simple	2.18	ACUITE BBB+   Stable   Downgraded ( from ACUITE A- )
Mahindra & Mahindra Financial Services Ltd.	Not avl. / Not appl.	Term Loan	10 Dec 2019	Not avl. / Not appl.	10 Mar 2026	Simple	7.03	ACUITE BBB+   Stable   Downgraded ( from ACUITE A- )
Tata Motors Finance Limited	Not avl. / Not appl.	Term Loan	02 Feb 2020	Not avl. / Not appl.	11 Sep 2024	Simple	0.81	ACUITE BBB+   Stable   Downgraded ( from ACUITE A- )

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### About Acuité Ratings & Research

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