

Press Release

Nanda Infra Construction Private Limited

March 23, 2022

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	16.89	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	27.61	-	ACUITE A3+ Assigned
Total Outstanding Quantum (Rs. Cr)	44.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

*Refer Annexure for details

Rating Rationale

Acuité has assigned 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.44.50 Cr bank facilities of Nanda Infra Construction Private Limited (NIPL). The outlook is '**Stable**'.

The rating reflects the company's successful track record in the civil construction industry, its healthy order book position and stable operating profitability which stood between 10-11 per cent since the last two fiscals. Further, the rating takes cognizance of the comfortable financial risk profile of the company marked by moderate network, low gearing and robust debt protection metrics. These strengths are however partially offset by high geographical concentration in order book, moderate revenues as well as working capital cycle.

About the Company

Incorporated in July 2011, Nanda Infra Construction Private Limited (NICPL) was promoted by the Nanda family based out of Talcher, Odisha. The company is engaged in civil construction activities like construction of roads, bridges and railway contract work mainly in Odisha. The company majorly works for the government entities such as Public Works Department (PWD) Odisha, Indian Railways, Mahanadi Coalfield Ltd., etc. NIPL is a registered class 'Superclass' contractor with PWD, Odisha which enables NIPL to participate in higher value contracts floated by the government entities. The operations of the company are currently headed by Mr. Dilip Kumar Nanda and Mr. Rajendra Kumar Nanda.

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management

The promoter, Mr. Dilip Kumar Nanda, has spent nearly two and half decades in the civil construction industry. Prior to setting up NICPL, he managed the operations of Nanda Construction, a partnership firm. Established track record has helped the company in building healthy relationship with suppliers, which ensures flexible credit periods. NICPL is registered as a superclass contractor with Public Works Department (PWD) of Odisha. NICPL has long-standing association with government bodies or public sector undertakings such as Public Works Department (PWD) Odisha, Indian Railways, etc. Acuité believes the vast experience of the management will support the business in ramping up the scale of operations, going forward.

Comfortable financial risk profile

The company's financial risk profile is comfortable marked by modest networth, low gearing and robust debt protection metrics. The tangible net worth of the company increased to Rs.27.65 Cr as on March 31, 2021 from Rs.21.60 Cr as on March 31, 2020 on account of healthy accretion to reserves. Gearing of the company improved over the years and has remained below unity at 0.20 times as on March 31, 2021 as against 0.68 times as on March 31, 2020. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood comfortable at 0.92 times as on March 31, 2021 from 1.28 times as on March 31, 2020. The strong debt protection metrics of the company is marked by Interest Coverage Ratio at 9.42 times and Debt Service Coverage Ratio (DSCR) at 4.89 times as on March 31, 2021. NCA/TD stood at 1.34 times in FY2021 as against 0.42 times in FY2020. Going forward, Acuité believes that the financial risk profile of the company will remain at comfortable levels backed by steady accruals and no major debt funded capex plans.

High profitability margins

The operating margin stood at 10.46 per cent during FY2021 as against 11.20 per cent in FY2020. Further, the PAT margin improved to 6.04 per cent FY2021 as against 5.83 percent in FY2020. The operating margins decreased in in FY21 on account of increase in fuels cost, however, PAT margin improved due to low interest costs on account of low dependence on external borrowings. Further, the margins have improved in the current year and is expected to remain at around 10.50 per cent. The company bids for contracts with minimum margins of 10 per cent. The company majorly subcontracts labour work. The profits have translated into healthy RoCE levels of 28.61 per cent in FY21 as against 23.54 per cent in FY20.

Weaknesses

Moderate working capital cycle

The working capital cycle of the company is moderate marked by Gross Current Assets (GCA) of 109 days as on 31st March 2021 as compared to 135 days as on 31st March 2020. The GCA days decreased majorly due to reduction in the debtor period which stood at 61 in FY21 as compared to 91 days in FY20 on account of better realisation during FY21. The company generally receives payments within 30-45 days from its principal. The inventory holding is efficient at 1 day in FY21 as compared to 12 days in the previous period, the reduction is due to high sales in March'21 and hence the amount of WIP decreased to Rs.0.9 Cr in FY21 from Rs.1.97 Cr in FY20. Acuité believes that the working capital operations of the company will remain at moderate levels over the medium term due to nature of the industry.

Inherent risks in tender-based businesses and intense competition in the industry

Intense competition from several players, and exposure to risks arising from dependence on tenders and geographical presence restricted to Odisha, restrict NICPL's ability to scale up further. Growth in revenue and profitability depends on the company's ability to bid successfully and executes order within stipulated time frame.

Rating Sensitivities

- Significant growth in the scale of operations while sustaining their profitability margins
- Elongation in working capital cycle

Material covenants

None

Liquidity Position: Adequate

The company's liquidity position is adequate marked by healthy net cash accruals of Rs.7.58 Cr as on March 31, 2021 as against long term debt repayment of Rs.0.60 Cr over the same period. The current ratio stood comfortable at 1.81 times as on March 31, 2021 as compared to 1.55 times as on March 31, 2020. The company has unencumbered cash and bank balance of Rs.12.93 Cr as on 31st March, 2021 as against Rs.6.91 Cr as on 31st March, 2020, on account of high sales of Rs.25 Cr in Mar'21 followed by high realisation. The fund based limit remains utilised at only 37 per cent over six months ended January, 2022. However, the company has availed a Covid loan but no loan moratorium. Going forward, Acuité believes the liquidity position of the company will be sustained marked by steady net cash accruals.

Outlook: Stable

Acuité believes that the company will maintain 'stable' outlook over the medium term due to its experienced management along with an established track record of operations, healthy order book position and comfortable financial risk profile. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenues while further improving its profitability margins. Conversely, the outlook may be revised to 'Negative' in case of any significant decline in the revenues, or elongation in the working capital cycle.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	100.20	74.55
PAT	Rs. Cr.	6.05	4.35
PAT Margin	(%)	6.04	5.83
Total Debt/Tangible Net Worth	Times	0.20	0.68
PBDIT/Interest	Times	9.42	4.91

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

- ICRA Ratings, vide its press release dated Apr 29, 2021 had denoted the rating of Nanda Infra Construction Private Limited as 'ICRA B+/Stable/A4; ISSUER NOT COOPERATING'.
- CRISIL, vide its press release dated Jul 13, 2021 had denoted the rating of Nanda Infra Construction Private Limited as 'CRISIL BB+/Stable/A4+; ISSUER NOT COOPERATING'.

Any other information

Not Applicable

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

Rating History:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A3+ Assigned
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	2.26	ACUITE A3+ Assigned
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BBB Stable Assigned
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB Stable Assigned
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.35	ACUITE A3+ Assigned
Union Bank of India	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	1.39	ACUITE BBB Stable Assigned

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About Acuité Ratings & Research

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