

## Press Release

**Nanda Infra Construction Private Limited**

**April 28, 2023**



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.00	ACUITE BBB   Stable   Assigned	-
Bank Loan Ratings	15.50	ACUITE BBB   Stable   Reaffirmed	-
Bank Loan Ratings	26.76	-	ACUITE A3+   Assigned
Bank Loan Ratings	29.00	-	ACUITE A3+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	<b>72.26</b>	-	-

### Rating Rationale

Acuité has reaffirmed 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)** on the Rs.44.50 Cr bank facilities of Nanda Infra Construction Private Limited (NIPL). The outlook remains **'Stable'**.

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)** on the Rs.27.76 Cr bank facilities of Nanda Infra Construction Private Limited (NIPL). The outlook remains **'Stable'**.

#### Rationale for rating

The rating takes into account the improvement in the scale of operations in FY2023 (Provisional) after witnessing slowdown during FY2022. The improvement was majorly on account of timely execution of the orders by the company during the period. The rating also factors in the healthy unexecuted order book position of the company and healthy profitability margins. The rating also draws comfort from the extensive experience of the management and reputed clientele base. The financial risk profile of the company remained above average marked by low gearing and comfortable debt protection matrices. These strengths are, however, offset by the high geographical concentration in the order book and the working capital intensive nature of operations of NICPL.

#### About the Company

Incorporated in 2011, Nanda Infra Construction Private Limited (NICPL) is based in Talcher, Odisha and is promoted by Mr. Dilip Kumar Nanda and Mr. Rajendra Kumar Nanda. The company is engaged in civil construction activities and undertakes contracts for construction of roads, bridges and railway works mainly in Odisha. NICPL caters majorly to the government entities such as Public Works Department (PWD) Odisha, Indian Railways, Mahanadi Coalfield Ltd., among others. The company is a registered 'Superclass' contractor with PWD, Odisha

which enables it to participate in higher value contracts floated by the government entities.

## **Analytical Approach**

Acuité has considered the standalone business and financial risk profile of NICPL while arriving at the rating.

## **Key Rating Drivers**

### **Strengths**

#### **Experienced management and reputed clientele base**

The company is promoted by Mr. Dilip Kumar Nanda who has an extensive experience of more than two decades in the civil construction industry, thereby, aiding the operations of NICPL. The company has established healthy relationships with the clientele and is registered as a superclass contractor with Public Works Department (PWD) of Odisha and has longstanding association with the government bodies or public sector undertakings.

Acuité believes that the experienced management and strong relationships with reputed clientele will continue to support and benefit the company going forward.

#### **Improvement in scale of operations albeit slowdown in FY2022 with healthy profitability margins**

NICPL witnessed improvement in the operating income and achieved revenues of Rs.102.20 Cr (Provisional) in FY2023 as compared to Rs.72.78 Cr in FY2022 and Rs.100.20 Cr in FY2021. The improvement is on account of timely execution of the orders. Further, it has an unexecuted order book of around Rs.256.64 Cr to be completed in the next 12 to 24 months. However, in FY2022, the company's scale of operations was impacted due to the issuance of code of conduct in the state of Odisha on account of panchayat election along with delays faced in the land clearance procedure by the Government authorities which hampered the flow of work execution.

Moreover, the operating margin of the company rose to 10.91 per cent in FY2022 as against 10.46 per cent in FY2021. Further, the PAT margin improved to 6.18 per cent FY2022 as against 6.04 percent in FY2021. The profitability margins increased on account of decrease in the fuel cost and low interest expenditure owing to low reliance on external borrowings. Further in FY2023, the company achieved operating margin of 11.02 per cent (provisional) and PAT margin of 6.07 per cent (provisional).

Acuité believes that, going forward, the order book position of the company imparts comfortable revenue visibility over the medium term.

#### **Above average financial risk profile**

The company's financial risk profile is above average marked by modest network, low gearing and comfortable debt protection metrics. The tangible net worth of the company increased to Rs.35.17 Cr as on March 31, 2022 from Rs.27.65 Cr as on March 31, 2021 on account of accretion to reserves and infusion of capital to the tune of Rs.0.43 Cr and security premium of around Rs.2.60 Cr. The gearing of the company stood low at 0.34 times as on March 31, 2022 as against 0.20 times as on March 31, 2021. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) also stood comfortable at 0.64 times as on March 31, 2022 from 0.92 times as on March 31, 2021. The debt protection metrics of the company remain comfortable marked by Interest Coverage Ratio of 10.54 times and Debt Service Coverage Ratio (DSCR) of 5.16 times as on March 31, 2022. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.52 times in FY2022.

Going forward, Acuité believes that the financial risk profile of the company will remain above average owing to the improving accruals and no major debt funded capex plans.

### **Weaknesses**

#### **Intensive working capital cycle**

The working capital intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 203 days as on 31st March 2022 as compared to 109 days as on 31st March 2021. The high GCA days are primarily due to elongation in the debtor period which stood at

110 days as on 31st March 2022 as compared to 61 days as on 31st March 2021 on account of numerous billing done on the last day of FY2022. However, the inventory holding stood comfortable but rose to 32 days as on 31st March 2022 as compared to 1 day in the previous period on account of unbilled revenue on construction contracts.

Acuité believes that the working capital operations of the company will remain around similar levels over the medium term due to the nature of the industry

### **High geographical concentration**

The company derives majority of the revenue from the government projects limited to Odisha, thereby, reflecting higher geographic concentration. Moreover, the unexecuted order book of the company is also geographically limited to state of Odisha only.

### **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**

- Improvement in the scale of operations along with healthy margins
- Sustenance of the capital structure
- Elongation of the working capital cycle

### **Material covenants**

None

### **Liquidity Position: Adequate**

The company's adequate liquidity position is marked by net cash accruals of Rs.6.20 Cr as on March 31, 2022 as against long term debt repayment of only Rs.0.55 Cr over the same period. Moreover, the fund based bank limit utilisation remain low at only 26 per cent over six months ended January, 2023. The current ratio stood comfortable at 2.40 times as on March 31, 2022 as compared to 1.81 times as on March 31, 2021. The company has cash and bank balances of Rs.11.21 Cr as on 31st March, 2022. However, the company's working capital operations remain intensive in nature marked by Gross Current Assets (GCA) of 203 days as on 31st March 2022 as compared to 109 days as on 31st March 2021. Going forward, Acuité believes the liquidity position of the company will remain adequate marked by the gradually improving net cash accruals.

### **Outlook: Stable**

Acuité believes that the company will maintain 'stable' outlook over the medium term on account of experienced management along with an established track record of operations, healthy order book position and the above average 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, improvement in working capital management and capital structure. Conversely, the outlook may be revised to 'Negative' in case of any significant decline in the revenues or margins, or deterioration in the financial risk profile or delays in the completion of projects or further elongation in the working capital cycle.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	72.78	100.20
PAT	Rs. Cr.	4.50	6.05
PAT Margin	(%)	6.18	6.04
Total Debt/Tangible Net Worth	Times	0.34	0.20
PBDIT/Interest	Times	10.54	9.42

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

CARE, vide its press release dated March 21, 2022 had denoted the rating of Nanda Infra Construction Private Limited as 'CARE BB/ A4 (Stable); ISSUER NOT COOPERATING'.

CRISIL, vide its press release dated 21/09/2022 had downgraded the rating of Nanda Infra Construction Private Limited to CRISIL B/ A4 (Stable); ISSUER NOT COOPERATING'

ICRA, vide its press release dated 23/06/2022 had denoted the rating of Nanda Infra Construction Private Limited as ICRA B+/ A4 (Stable); ISSUER NOT COOPERATING'

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.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
23 Mar 2022	Bank Guarantee	Short Term	25.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	0.50	ACUITE BBB   Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE BBB   Stable (Assigned)
	Bank Guarantee	Short Term	2.26	ACUITE A3+ (Assigned)
	Working Capital Demand Loan	Long Term	1.39	ACUITE BBB   Stable (Assigned)
	Proposed Bank Guarantee	Short Term	0.35	ACUITE A3+ (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	26.74	ACUITE A3+   Reaffirmed
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	2.26	ACUITE A3+   Reaffirmed
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	7.76	ACUITE A3+   Assigned
ICICI Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	19.00	ACUITE A3+   Assigned
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BBB   Stable   Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	0.50	ACUITE BBB   Stable   Reaffirmed
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE BBB   Stable   Assigned

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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