



Press Release
Nanda Infra Construction Private Limited
July 26, 2024
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	16.50	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	10.00	-	ACUITE A3+ Assigned
Bank Loan Ratings	55.76	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	97.26	-	-

Rating Rationale

Acuite 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.72.26 Cr. bank facilities of Nanda Infra Construction Private Limited (NICPL). The outlook remains '**Stable**'.

Acuite 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.25.00 Cr. bank facilities of Nanda Infra Construction Private Limited (NICPL). The outlook is '**Stable**'.

Rationale for rating

The rating takes into consideration the improvement in the scale of operations due to timely execution of the orders by the company and healthy PAT margins albeit slight decline in the FY24(prov) i.e 6.05% as compared to FY23 which stood at 6.36%. The rating also draws comfort from the extensive experience of the management and reputed clientele base. The financial risk profile of the company remained healthy marked by low gearing and comfortable debt protection matrices. These strengths are, however, offset by the high geographical concentration in the order book and stagnant growth in unexecuted order book.

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.

Unsupported Rating

Not applicable

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 government bodies or public sector undertakings.

Acuité believes that the extensive experience of the management and the healthy clientele relationships will continue to benefit the company going forward.

Improvement in scales of operations with healthy profitability margin

Company witnessed improvement in the operating income and achieved revenue of Rs 163.35 Cr. in the FY24(Prov) as compared to Rs 102.19 Cr. in the FY23 and Rs 72.78 Cr. in the FY22. This improvement is on account of timely execution of the orders.

Further it has an unexecuted order book of around Rs 297.39 crore as on Mar 24 which is to be completed in the coming 12 to 24 months. The growth in order book remains to be stagnant from the period Jan-24 till June-24. The order book stands at 1.82 times of the company's OI in FY2024(Prov). Acuité believes that, going forward, the existing order book position of the company imparts revenue visibility over the medium term.

Moreover, the operating margin of the company slightly declined to 10.16 per cent in FY2024(Prov) as against 10.90 per cent in FY2023 and 10.91 per cent in FY2022. PAT Margin of the company stood at 6.05% in the FY24(Prov) as against 6.36% in the FY23 and 6.18% in the FY 22. Acuité believes that, going forward, the sustainability of the healthy margins will remain a key monitorable.

Healthy financial risk profile

The company's financial risk profile is moderate marked by moderate networth, low gearing and comfortable debt protection metrics. The tangible net worth of the company increased to Rs.51.56 Cr. as on March 31, 2024(Prov) as against Rs.41.67 Cr. as on March 31, 2023 and Rs.35.17 Cr. as on March 31, 2022 mainly on account of accretion to reserves.

Gearing of the company improved Y-o-Y and stood comfortable at 0.09 times as on March 31, 2024(Prov) as against 0.17 times as on March 31, 2023 and 0.34 times as on March 31, 2022. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) also improved Y-o-Y and stood comfortable at 0.28 times as on March 31, 2024(Prov) as against 0.55 times as on March 31, 2023, and 0.64 times as on March 31, 2022. The comfortable debt protection metrics of the company is marked by Interest Coverage Ratio at 19.29 times and Debt Service Coverage Ratio (DSCR) at 7.59 times as on March 31, 2024(Prov) as against 6.34 times and 5.23 times as on March 31, 2023, 10.54 times and 5.16 times as on March 31, 2022 respectively.

The Net Cash Accruals/Total Debt (NCA/TD) improved Y-o-Y and stood at 2.72 times in FY24(Prov) as against 1.17 times in FY 23 and 0.52 times in FY2022.

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

Moderate working capital cycle

The working capital cycle of the company is improved by Gross Current Assets (GCA) of 88 days as on 31st March 2024(Prov) as compared to 175 days as on 31st March 2023 and 203 days as on 31st March 2022. The inventory holding period of the company improved and stood comfortable at 33 days as on 31st March 2024(prov) as compared to 44 days and 32 days as on 31st March 2023 and 31st March 2022 respectively. The debtor days of the company has stood at 7 days as on 31st March 2024(Prov) as compared to 50 days and 110 days as on 31st March 2023 and 31st March 2022 respectively. The creditors holding had

improved to 12 days as on 31st March 2024(Prov) as compared to 45 days and 42 days as on 31st March 2023 and 31st March 2022 respectively.

Acuité believes that the working capital operations of the company will remain around similar levels over the medium term due to efficient collection mechanism and lower inventory requirement.

Weaknesses

High geographical and customer concentration

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

- Ability to scale up operations emanating from healthy growth in the order book while improving its profitability
- Sustenance of the capital structure
- Elongation of the working capital cycle

Liquidity Position

Adequate

The company's adequate liquidity position is adequate marked by net cash accruals of Rs.12.43 Cr. as on March 31, 2024, as against long term debt repayment of only Rs.0.89 Cr. over the same period. The company has utilised fund-based limit ~0.63% and non-fund-based limit ~72.44% of its working capital facility for the last six months ended March 24. The current ratio stood comfortable at 4.40 times as on March 31, 2024(Prov) as compared to 3.05 times and 2.47 times as on March 31, 2023 and March 31, 2022 resp. The company has cash and bank balance of Rs.20.97 Cr. as on 31st March 2024(Prov). However, the working capital intensive nature of operations of the company is improved as reflected by Gross Current Assets (GCA) of 88 days as on 31st March 2024(Prov) as compared to 175 days as on 31st March 2023 and 203 days as on 31st March 2022. 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, and healthy 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 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	163.35	102.19
PAT	Rs. Cr.	9.89	6.50
PAT Margin	(%)	6.05	6.36
Total Debt/Tangible Net Worth	Times	0.09	0.17
PBDIT/Interest	Times	19.29	6.34

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>
- 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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Apr 2023	Bank Guarantee (BLR)	Short Term	26.74	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	7.76	ACUITE A3+ (Assigned)
	Bank Guarantee (BLR)	Short Term	2.26	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	19.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	15.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	0.50	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE BBB Stable (Assigned)
23 Mar 2022	Bank Guarantee (BLR)	Short Term	25.00	ACUITE A3+ (Assigned)
	Bank Guarantee (BLR)	Short Term	2.26	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	15.00	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	0.50	ACUITE BBB Stable (Assigned)
	Proposed Bank Guarantee	Short Term	0.35	ACUITE A3+ (Assigned)
	Working Capital Demand Loan (WC DL)	Long Term	1.39	ACUITE BBB Stable (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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	34.50	ACUITE A3+ Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.26	ACUITE A3+ Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	19.00	ACUITE A3+ Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A3+ Assigned
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE BBB Stable Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE BBB Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.50	ACUITE BBB Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	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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