



Press Release

NNT Developers Private Limited

April 07, 2022

Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	14.22	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	35.00	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	49.22	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as ACUITE Triple B minus) the short-term rating to '**ACUITE A3**' (read as ACUITE A three) on the Rs. 49.22 Cr bank facilities of NNT Developers Private Limited (NNTDPL). The outlook is '**Stable**'.

The rating reflects extensive experience of the promoters in the civil construction industry, strong order book position providing adequate revenue visibility and moderate financial position characterized by lower dependence on external debt and strong debt coverage indicators. The rating also factors in adequate liquidity position of the company. These strengths are partly offset by NNTDPL's volatile operating margins in the fragmented industry and working capital-intensive nature of operations.

About the Company

Incorporated in 2017, NNT Developers Private Ltd. (NNTDPL) is a Bihar based company, currently carrying out civil construction activities along with a partnership firm 'New Nalanda Tubewell Boring and Engineering Works' which was formed in the year 2001. It is engaged in civil construction activities in segment like buildings, water drainage, railway lines, electrical/mechanical, electronic works, tunnels etc. The group participates in tenders and executes orders for the various government departments of Bihar, Jharkhand and Uttar Pradesh. Mr. Suyash Kumar, Mr. Jitendra Singh, Mr. Rajendra Singh and Mr. Sharwan Singhare presently associated as directors.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of NNTDPL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management

The promoters have around two decades of experience in construction business. The extensive experience of management has helped company to get tenders on regular basis. The day to day operations are carried by its directors, Mr. Rajendra Singh, Mr. Sharwan Singh, Mr. Jitendra Singh & Mr. Suyash Kumar who have experience of over two decades in civil construction industry.

Acuité derives comfort from the long experience of the management and believes this will benefit the company going forward, resulting in steady growth in the scale of operations.

Revenue on growth trajectory buoyed by healthy order book position

NNTDPL's revenue grew at a CAGR 111.63 per cent from FY19-FY21, backed by strong new order addition and healthy execution capabilities. In FY21, despite COVID-19 led business disruptions, the operating revenue of the company stood at Rs 95.80 Cr in FY 2021 as compared to Rs 82.69 Cr in FY 2020 and Rs 21.39 Cr. in FY 2019. Furthermore, the company has achieved revenues of Rs 119.00 Cr till February 2022(Provisional). The stability in revenue is backed by an unexecuted healthy order book position to the tune of about Rs. 343.65 Cr as on 21st March, 2022. The orders for infrastructure projects are primarily from government organizations. All its projects are on a direct tendering basis.

Acuité believes that the company will continue to sustain its order book position and maintain its business risk profile over the medium term.

Above average financial risk profile

The company's above average financial risk profile is marked by moderate albeit improving networth, comfortable gearing and strong debt protection metrics. The tangible net worth of the company improved to Rs.19.21 Cr as on March 31, 2021 from Rs.14.43 Cr as on March 31, 2020 due to accretion to reserves. Gearing of the company stood below unity at 0.63 times as on March 31, 2021 as against 0.43 times as on March 31, 2020 due to low dependence on external debt. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.41 times as on March 31, 2021. The strong debt protection metrics of the company is marked by Interest Coverage Ratio at 4.58 times as on March 31, 2021 and Debt Service Coverage Ratio at 3.60 times as on March 31, 2021, supported by a continued healthy operating performance. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.41 times as on March 31, 2021.

Acuité believes that going forward the financial risk profile of the company will remain above average with no major debt funded capex plans.

Weaknesses

Moderate working capital management

The moderate working capital management of the company is marked by moderate Gross Current Assets (GCA) of 138 days in as on March 31, 2021 as compared to 142 days as on March 31, 2020, driven by security deposit and retention money it has to keep till the defect liability period of the projects are over. However, the debtor period stood low at 24 days as on March 31, 2021. The short receivables cycle supports the working capital management. Further, the inventory holding is low at 22 days as on March 31, 2021 as compared to 17 days as on March 31, 2020.

Acuité believes that the working capital operations of the company will remain almost at the same levels as evident from efficient collection mechanism and low inventory levels over the medium term.

Nonetheless, the company has substantial dependence on its suppliers and creditors to support the working capital. Sustained improvement in creditors will remain a key monitorable.

Volatile operating margins

NNTDPL's operating margins were in the range of 7 per cent to 8.5 per cent over FY19-FY21,

due to intense competition in the infrastructure industry particularly roads, fluctuations in material expenses, subcontracting and aggressive bidding for projects. The profitability margins of the company have declined marginally with operating margin of 7.70 per cent in FY21 as compared to 8.43 per cent in the previous year. The PAT margins stood at 5.01 per cent as on FY2021 as against 5.49 per cent as on FY2020. However, the RoCE levels for the company stood comfortable at 32.91 per cent in FY2021 as against 39.18 per cent in FY2020, mainly because of the in-built price escalation clause for major raw materials (such as steel, cement, fuel and bitumen) in most of its contracts. Also, given the cyclicity inherent in the construction industry, the ability to maintain profitability margin through operating efficiency becomes critical.

Rating Sensitivities

- Significant growth in revenue and profitability margin
- Elongation of working capital cycle
- Reduction in order flow

Material covenants

None

Liquidity Position: Adequate

The company's liquidity is adequate marked by net cash accruals stood at Rs. 4.91 Cr as on March 31, 2021 as against no debt repayment over the same period. The current ratio stood comfortable at 1.66 times as on March 31, 2021. Further, the company has not availed any loan moratorium but applied for additional covid loan which is already repaid. The unencumbered cash and bank balances of the company stood at Rs.0.04 Cr as on March 31, 2021 as compared to Rs. 9.04 Cr as on March 31, 2020. Further, the moderate working capital management of the company is marked by Gross Current Assets (GCA) of 138 days as on March 31, 2021. However, the fund based limit remained highly utilized at 91 per cent over last 6 months ended February, 2022. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes NNTDPL will benefit over the medium term from its promoters' extensive industry experience. The outlook may be revised to 'Positive' if scale of operations, profitability, and working capital cycle improve significantly, and if the company widens geographical presence. Conversely, the outlook may be revised to 'Negative' if financial risk profile weakens because of significantly low cash accrual, or sizeable working capital requirement, or debt-funded capital expenditure.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	95.80	82.69
PAT	Rs. Cr.	4.80	4.54
PAT Margin	(%)	5.01	5.49
Total Debt/Tangible Net Worth	Times	0.63	0.43
PBDIT/Interest	Times	4.58	7.75

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

Not Applicable

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
Bank of Baroda	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE A3 Assigned
Bank of Baroda	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	1.22	ACUITE BBB- Stable Assigned
Bank of Baroda	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE BBB- Stable Assigned
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	4.00	ACUITE BBB- Stable Assigned

Contacts

Analytical	Rating Desk
Pooja Ghosh Head-Rating Operations Tel: 022-49294041 pooja.ghosh@acuite.in Srijita Chatterjee Analyst-Rating Operations Tel: 022-49294065 srijita.chatterjee@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@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 8,850 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 Kanjurmarg, 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