



Press Release
NNT DEVELOPERS PRIVATE LIMITED
June 21, 2023
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	14.22	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	15.00	-	ACUITE A3 Assigned
Bank Loan Ratings	35.00	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	76.22	-	-

Rating Rationale

Acuite has reaffirmed its long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and its short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 49.22 crore bank facilities of NNT Developers Private Limited (NNTDPL). The outlook remains 'Stable'.

Acuite has also assigned its long term rating of **ACUITE BBB-** (read as **ACUITE triple B minus**) and its short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 27.00 crore bank facilities of NNT Developers Private Limited (NNTDPL). The outlook is 'Stable'.

Rating Rationale

The rating reaffirmation on NNTDPL takes cognizance of the company's steady business risk profile, marked by a significant improvement in the operating margins in FY 2023 (Prov) to 11.01 % as against 8.83% in FY 2022. The rating is further supported by the above average financial risk profile of the company, characterised by moderate net worth and comfortable debt coverage indicators. However, the debt coverage metrics moderated in FY2023, but still stood at comfortable levels. Nevertheless, with the improved scale of operations and stable profitability, the debt coverage indicators are expected to remain comfortable, with interest cover estimated to be well above 3.5 times over the near to medium term. The gearing level also stood comfortably below unity at 0.71 times as of FY 2023 (Prov) due to lower reliance on external debt. The rating further derives strength from the extensive experience of the promoters in the civil construction industry and their adequate liquidity position, as reflected in the low utilisations of fund and non-fund-based limits at 79.91% and 54.23%, respectively, for the 6 months ended April 2023. The rating, however, remains constrained by stiff competition in the construction sector, the susceptibility of margins to the volatile nature of raw material prices, and the working capital intensive nature of the operations of the company, marked by the high amount of security deposits to be kept with the tendering authority. Acuite notes a marginal dip in operating income in FY2023 (Prov), solely on account of site mobilisation. With a healthy order book position of Rs 415.90 crore as of April 2023, it is expected that the company will be able to sustain its scale of operations in the medium term.

About the Company

Incorporated on September 28, 2017, NNT Developers Private Limited (NNTDPL) is engaged in

civil construction activities in segment like buildings, water drainage, railway lines, electrical/mechanical, electronic works, tunnels etc. The company 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

Acuité 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 and an established relationship with customers

The promoters have around two decades of experience in the construction business. The long-standing experience of the promoters has helped them establish comfortable relationships with key suppliers and reputed customers. The day-to-day operations are carried out by its directors, Mr. Rajendra Singh, Mr. Sharwan Singh, Mr. Jitendra Singh, and Mr. Suyash Kumar, who have experience spanning over two decades in the civil construction industry. The extensive experience of the management has helped the company get tenders on a regular basis.

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.

Steady business risk profile, albeit a slight moderation in operating income in FY2023.

The company witnessed a significant improvement in its scale of operations, marked by operating income of Rs. 145.25 crore in FY2022 as against Rs. 96.39 crore in FY2021, registering a y-o-y growth of 50 percent. However, in FY2023 (Prov), the revenue moderated to Rs. 121.43 crore on account of site mobilisation. The steadiness in the operating income is backed by a healthy order book position with unexecuted orders in hand to the tune of Rs. 415.90 crore as of April 30, 2023, which shall be executed in the next 1-2 years, thereby providing steady revenue visibility in the medium term.

The operating margin of the company remained almost flat at 8.83 percent in FY2022 as against 8.26 percent in FY2021. Further, the operating margin grew significantly to 11.01 percent in FY2023 (Prov) as the company started to bid for higher margin orders and also installed its own equipment in FY23 in order to get away with the hire charges of equipment. The PAT margin improved to 5.34 percent in FY2022 as against 4.98 percent in FY2021 and improved further to 5.57 percent in FY2023 (Prov). Though the company's profitability is exposed to volatility in raw material prices, NNTDPL has an in-built price escalation clause for major raw materials (such as steel, cement, fuel, and bitumen) in most of its contracts.

Acuité believes that the company may 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 financial risk profile is above average, marked by moderate, albeit improving, net worth, low gearing, and comfortable debt protection metrics. The tangible net worth of the company improved to Rs. 26.96 crore as of March 31, 2022, from Rs. 19.21 crore as of March 31, 2021, due to accretion to reserves. Further, the tangible net worth of the company increased to Rs. 33.72 crore as of March 31, 2023 (Prov). The company follows a conservative financial policy, reflected in its peak gearing of 0.71 times as of FY 2023. The gearing of the company stood below unity at 0.48 times as of March 31, 2022, as against 0.54 times as of March 31, 2021, due to its low dependence on external debt. Even though the debt level increased in FY23, the gearing remained comfortable at 0.71 times (Prov). The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.18 times as on March 31, 2022, as against 1.41 times as on March 31, 2021, and remained almost at the same level at 1.17 times as on March 31, 2023 (Prov). The strong debt protection metrics of the company are marked by an

interest coverage ratio of 5.89 times as of March 31, 2022, and a debt service coverage ratio of 4.54 times as of March 31, 2022. However, the Interest Coverage Ratio moderated to 3.67 times and the debt service coverage ratio to 2.96 times as of March 31, 2023 (Prov), still standing at comfortable levels. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.61 times as of March 31, 2022.

Acuité believes that going forward, the financial risk profile of the company will be sustained by steady accruals and no major debt-funded capex plans.

Weaknesses

The working capital intensive nature of operations

The working capital intensive nature of operations of the company is marked by GCA days of 129 days in FY2022 as compared to 137 days in FY2021. The high GCA days are mainly on account of significant security deposits, margin money, and retentions kept with the tendering authorities. However, both the debtor and inventory periods stood low in FY2022. The debtor period improved to 6 days in FY2022 as against 24 days in FY2021. The short receivables cycle supports working capital management. Further, inventory holding levels improved and stood low at 13 days in FY2022 as against 22 days in FY2021.

However, Acuite notes the increase in debtor and inventory periods in FY 2023 (Prov). The inventory period increased to 28 days in FY2023 (Prov) as compared to 13 days in FY22. Further, the debtor period increased to 39 days in FY23 as against 6 days in FY2022 on account of increased billing in the fourth quarter. Acuité believes that the working capital requirement is likely to remain at similar levels in the near and medium term.

Competitive and fragmented nature of industry coupled with tender-based business

The company is engaged as a civil contractor, and the sector is marked by the presence of several mid- to large-sized players. The company faces intense competition from other players in the sector. Risk becomes more pronounced as tendering is based on a minimum amount of bidding on contracts, and hence the company must bid for such tenders at competitive prices, which may affect the profitability of the company. However, this risk is mitigated to an extent due to the extensive experience of the management over the past two decades in the construction industry.

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, as evidenced by net cash accruals of Rs. 7.84 crore as of March 31, 2022, as against no debt repayment over the same period. Further, the company is expected to generate sufficient net cash accruals to repay its debt obligations over the medium term. The current ratio improved and stood comfortably at 2.06 times in FY2022 as against 1.63 times in FY2021. Further, the fund- based limit remained moderately utilised at 79.91 per cent and the non-fund based limit at 54.23 per cent over the last 6 months ended April 2023. The unencumbered cash and bank balances of the company stood at Rs. 0.01 crore as of March 31, 2022, as compared to Rs. 0.04 crore as of March 31, 2021. The company has a fixed deposit of Rs. 5.23 crore in FY2022, out of which Rs. 2.45 crore is margin money and the remaining Rs. 2.78 crore is unencumbered. However, the working capital- intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 129 days as of March 31, 2022, as against 137 days as of March 31, 2021.

Acuité believes that going forward, the company will maintain an adequate liquidity position

due to steady accruals.

Outlook: Stable

Acuité believes NNTDPL will maintain a 'Stable' outlook over the medium term given by promoters' extensive industry experience, healthy order book position and above average financial risk profile. 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

None.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	145.25	96.39
PAT	Rs. Cr.	7.75	4.80
PAT Margin	(%)	5.34	4.98
Total Debt/Tangible Net Worth	Times	0.48	0.54
PBDIT/Interest	Times	5.89	4.58

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

None.

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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Apr 2022	Covid Emergency Line.	Long Term	1.22	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	4.00	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	35.00	ACUITE A3 (Assigned)
	Secured Overdraft	Long Term	9.00	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
Bank of Baroda	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE A3 Reaffirmed
Bank of Baroda	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	0.54	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A3 Assigned
Not Applicable	Not Applicable	Proposed Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE BBB- Stable Assigned
Bank of Baroda	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE BBB- Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	4.68	ACUITE BBB- Stable Reaffirmed

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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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