

Press Release

Naagaamii Infratech Private Limited

March 27, 2023

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE BB+ Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	10.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) to the Rs.10.00 Cr. bank facilities of Naagaamii Infratech Private Limited (NIPL). The outlook is '**Stable**'.

Rationale for the rating

The rating reflects extensive experience of the management, and established track record of operation in the construction business, healthy order book, average financial risk profile and adequate liquidity. The rating however is constrained by its moderate scale of operation, intense competition within the industry owing to low entry barrier, susceptibility of operating margin to volatility in input material prices and labour charges.

About the Company

Incorporated in February 2016, Naagaamii Infratech Pvt Ltd (NIPL) is engaged in construction of roads, bridges and other infraprojects for the state government of Nagaland, Central Government and NHAI. Currently, the company is headed by Mr. Rokolhou Angami, Mrs. Neisanuo Angami who all are promoter directors.

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management and established relationship with customers

Mr. Rokolhou Angami is the director of the Company who is supported by Ms Neisanuo Angami as a director and has an experience over 2 decades in the industry through their erstwhile proprietorship concern Naagaamii Infratech. Incorporated in 2016, NIPL has an operational track record of 7 years in the civil construction industry. It has successfully completed various projects under different departments of government like PWD Roads & Bridges, National Highway, Ministry of Municipal Affairs, PWD Housing, National Highway etc. The long standing experience of the directors & top management and record of operations has helped them establish comfortable relationships with key suppliers and reputed

customers. Acuité believes that the track record till date and experience of the promoters augur well for the relationship with their key suppliers and customers.

Moderate business risk profile supported by strong order book position

The operating revenue of the company improved to Rs 61.22 crore in FY 2022 as compared to Rs 52.96 crore in FY 2021 due to better execution of projects. The operating margin stood at 8.61 per cent in FY2022 as compared to 8.21 per cent in the previous year. The PAT margins increased to 4.37 per cent as on FY2022 as against 3.44 per cent as on FY2021. The RoCE levels for the company stood at 16.62 per cent in 2022 as against 17.52 per cent in FY2021.

The company has strong order book position with unexecuted orders in hand for infrastructure projects worth around Rs. 709 crore which are to be executed in the upcoming two to three years, thereby providing strong revenue visibility in the medium term. Nearly 82 per cent of the Company's order book comprised of PWD comprising of PWD – National Highways & PWD Roads and Bridges. The other order book comprises of orders from Nagaland State Transport, Planning & Co-ordination Dept and CAWD. Acuité believes that the company will continue to sustain its order book position and maintain its business risk profile over the medium term.

Average financial risk profile

The firm's average financial risk profile is marked by modest albeit improving net worth, modest gearing and adequate debt protection metrics. The tangible net worth of the firm improved to Rs.14.5 Cr as on March 31, 2022 from Rs.11.82 Cr as on March 31, 2021. Gearing of the firm increased moderately to 1.27 as on March 31, 2022 as compared to 1.02 as on March 31, 2021. The debt mainly consists of equipment long term debt of Rs 7.1Cr. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.37 times as on 31st March, 2022 as against 1.36 times as on 31st March, 2021. The average debt protection metrics of the firm is marked by Interest Coverage Ratio at 5.46 times and Debt Service coverage ratio at 4.4 times as on 31st March, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.18 times as on 31st March, 2022. Acuité believes that going forward the financial risk profile of the firm will remain healthy with no major debt funded capex plans.

Weaknesses

Working Capital Intensive nature of Operation

The working capital management of the firm is deteriorated marked by Gross Current Assets (GCA) of 197 days as on March 31, 2022 similar as against 134 days as on March 31, 2021; due to high other current assets. Moreover, the inventory period stood at 116 days as on 31st March, 2022, as compared to 63 days as on 31st March 2021. Acuité believes that the working capital operations of the company will remain intense as evident from its high debtor levels and due to the time taken to execute the orders; where the average turnaround time for a contract is 3-4 years.

Competitive and fragmented nature of industry

With increased focus of the central government on the infrastructure sector, especially in the north-east, NIPL is expected to reap benefits over the medium term. However, most of its projects are tender-based and face intense competition, which may hence require it to bid aggressively to get contracts. Competition can intensify further due to the recent relaxation in bidding norms by NHAI and the Ministry of Road Transport & Highways (MoRTH). Also, given the cyclicity inherent in the construction industry, the ability to maintain profitability margin through operating efficiency becomes critical.

Rating Sensitivities

Scaling up of operations while maintaining their profitability margin

On average timely execution of orders

Sustenance of existing financial risk profile with healthy capital structure

Material covenants

None

Liquidity Position Adequate

Liquidity is adequate, the net cash accruals stood at Rs. 3.36 Cr as on March 31, 2022 against no debt repayment over the same period. The capital intensive nature implies high requirement of funds in business. As a result, the fund-based limit of Rs 9 Cr. remained highly utilized at ~93.98 per cent over the six months ended February, 2023. The cash and bank balances of the firm stood at Rs.0.64 Cr as on March 31, 2022. The current ratio stood comfortable at 1.45 times as on March 31, 2022. Moreover, the working capital intensive management of the company is marked by high Gross Current Assets (GCA) of 197 days in 31st March 2022 as compared to 134 days in 31st March 2021. Acuité believes that going forward the company will accelerate to maintain adequate liquidity position due to increasing accruals.

Outlook: Stable

Acuité believes the company's outlook will remain 'stable' over the medium term on account of its experienced management, moderate business risk profile and financial risk profile. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenues while sustaining its operating margins. Conversely, the outlook may be revised to 'Negative' in case of further decline in revenues or stretch in working capital cycle leading to deterioration in the liquidity position of the company.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	61.22	52.96
PAT	Rs. Cr.	2.68	1.82
PAT Margin	(%)	4.37	3.44
Total Debt/Tangible Net Worth	Times	1.27	1.02
PBDIT/Interest	Times	5.46	4.10

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>
- 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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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:
Not Applicable

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	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE BB+ Stable Assigned
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.00	ACUITE BB+ Stable Assigned

Contacts

Analytical	Rating Desk
Pooja Ghosh Vice President-Rating Operations Tel: 022-49294041 pooja.ghosh@acuite.in Soham Vaidya Analyst-Rating Operations Tel: 022-49294065 soham.vaidya@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

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