



Press Release
Naagaamii Infratech Private Limited
June 24, 2024
Rating Upgraded

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

Rating Rationale

Acuite has upgraded the long-term rating to **'ACUITE BBB-'** (read as **ACUITE triple B minus**) from **'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 NIPL's comfortable business risk profile marked by experienced management and established relationship and reputed clientele. The Company has sizeable order book of Rs.708.81 Cr. as on March 31, 2024 which provides its revenue visibility over the near to medium term. The scale of operation had witnessed a strengthening in FY2024(Prov.) with revenues at Rs. 265.51 Cr. (Provisional) against revenues of Rs.176.97 Cr. in FY2023 due to work executed towards year end and timely collections in the same. The rating also factors in the improving operating margin of the company is stood at 8.66 per cent in FY2024 (Prov.) as compared to 8.18 per cent in FY2023 and 8.61 per cent in FY2022. The PAT margin also increased to 3.84% in FY24 (Prov.) as against 3.66 % in FY2023. The company's financial risk profile is healthy, marked by improving net worth, comfortable gearing and debt protection metrics. The company has infused capital in business of about Rs. 59 Cr. in last 2 years to fund its working capital requirements. The liquidity is adequate reflected in the net cash accruals at Rs.16.24 Cr. in FY24 (Prov.) as against Rs. 4 Cr. debt repayment over the same period, healthy current ratio, efficient working capital management. However, the rating is constrained by the presence of being in a competitive and fragmented construction industry.

About the Company

Incorporated in February 2016, Naagaamii Infratech Private Limited (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.

Unsupported Rating

Not Applicable

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 reputed clientele

Mr. Rokolhou Angami is the director of the Company who is supported by Mrs. Neisanuo

Angami as a director and has an experience of over two decades in this field since year 2000 as a self-proprietary concern engaged in EPC contracts; namely Naagaamii Infratech. Later, Naagaamii Infratech Pvt Ltd was incorporated in 2016; and has an operational track record of 7 years in the civil construction industry, through their erstwhile proprietorship concern, Rokolhou Angami, established in 2016. 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 promoter's augur well for the relationship with their key suppliers and customers.

Healthy Revenue Growth and sustainability of margins

Naagaamii Infratech private limited participates and receives majority of the contracts from the PWD comprising of National Highways & PWD Roads and Bridges, Nagaland State Transport, Planning & Co-ordination Dept and Department of Civil Administration Works Division (CAWD). Operations continue to be focused on Road & Bridges, National Highways & Office Building.

NIPL has achieved revenues of Rs. 265.51 crore in FY2024 (Provisional) as compared to revenues of Rs. 176.97 crore in FY2023 and Rs. 61.22 crore in FY2022. There is an upward movement in revenue because the department has cleared the previous bills after quality check and there are more projects under work-in-progress. The Company has an order book of Rs. 708.81 Cr. as of March 2024 which provides its revenue visibility over the medium term.

Moderate Order Book Position

The value of orders in hand comprises of Rs. 1018.28 Cr. as on March 31, 2024, out of which unexecuted order are of Rs. 708.81 Cr. The OB/OI (Order Book by Operating Income) is 2.66 times (Rs. 708.81 Cr./Rs. 265.51 Cr.). This provides the company with revenue visibility over the medium term.

Healthy financial risk profile

The company's financial risk profile is marked by healthy and improving net worth, comfortable gearing and robust debt protection metrics. The tangible net worth of the company increased to Rs.138 crore in FY2024 (Prov.) from Rs.61.96 crore in FY2023 due to infusion of equity share capital of Rs. 59.38 Cr. in last 2 years and accretion to reserves. Gearing of the company stood below unity at 0.25 times in FY2024 (Prov.) as against 0.48 times in FY2023 as compared to 1.27 times as on FY2022. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.40 times in FY2024 (Prov.) as against 0.86 times in FY2023 and 2.37 times in FY2022. The interest coverage ratio of the company improved to 7.41 times in FY2024 (Prov.) as against 6.39 times in FY2023 and 5.46 times in FY2022 and Debt Service Coverage Ratio stood at 6.27 times in FY2024 (Prov.) as against 5.33 times in FY2023 and 4.40 times in FY2022. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.48 times in FY2024 (Prov.) as against 0.34 times in FY2023 and 0.18 times in FY2022. Acuité believes that going forward the financial risk profile of the company will remain healthy with no major debt funded capex plans.

Weaknesses

Working Capital Intensive nature of operation

The working capital of the company is intensive marked by Gross Current Assets (GCA) of 212 days as on FY2024 (Prov.) as compared to 176 days as on FY2023 similar as against 197 days as on FY2022. Moreover, the inventory days remained at similar levels and stood at 34 days in FY2024 (Prov.) as compared to 35 days in FY23 as against 116 days in FY22. The current assets include Rs. 76.65 Cr. of loans and advances given to materials of loans (of which about Rs. Rs.27.92 Cr. loans and advances is to Directors). As on March 31, 2024, due to collection of funds for completed work orders, the cash and bank balance appears high at Rs. 55 Cr (Prov.) Going forward, Acuité believes that the working capital operations of the company will remain almost at similar levels over the medium term.

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 cyclical nature 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
- Sustenance of existing financial risk profile with healthy capital structure
- Exposure of loans & advances to related parties

Liquidity Position

Adequate

The adequate liquidity of the company is reflected by the net cash accruals at Rs.16.24 Cr. in FY24 (Prov.) as against Rs.4.00 Cr. debt repayment. The working 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 ~91 per cent over the six months ended May, 2024. The cash and bank balances of the company stood at Rs 55.03 Cr. in FY24(Prov.) as against Rs.1.86 Cr. in FY23 and Rs. 0.64 Cr. in FY22. It has remained high as some realisation was received during year end and can be treated as a one-time event. The current ratio stood comfortable at 2.74 times as on March 31, 2023. Moreover, the company's working capital intensive management is distinguished by observable high Gross Current Assets (GCA) of 212 days in FY24(Prov.) compared to 176 days in FY23 and 197 days in FY22. Other Current Assets (OCA) also includes loans and advances to suppliers of Rs.48.73 Cr. and advances to Directors of Rs.27.92 Cr. (for procurement of Raw materials). Acuité believes that going forward the company will maintain adequate liquidity position due to constant increase in accruals and no major capex plans.

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 healthy 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 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 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	265.51	176.97
PAT	Rs. Cr.	10.18	6.48
PAT Margin	(%)	3.84	3.66
Total Debt/Tangible Net Worth	Times	0.25	0.48
PBDIT/Interest	Times	7.41	6.39

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, 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
27 Mar 2023	Cash Credit	Long Term	9.00	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	1.00	ACUITE BB+ 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 avl. / Not appl.	Cash Credit	27 Jun 2023	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9.00	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Bank of Baroda	Not avl. / Not appl.	Term Loan	10 Jun 2020	Not avl. / Not appl.	31 May 2024	Simple	1.00	ACUITE BBB- Stable Upgraded (from ACUITE BB+)

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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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