



Press Release
NIYATI CONSTRUCTION COMPANY
September 13, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	24.62	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	28.52	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	53.14	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 53.14 Cr. bank facilities of Niyati Construction Company (NCC). The outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned considers the established track record of the firm for more than two decades in the construction industry, which has in turn supported the firm in establishing strong relationships with its customer consisting mainly of government authority. The rating is further supported by moderate financial risk profile of the firm marked by the low gearing and comfortable debt protection metrics with debt-equity stood at 0.20 times as on 31st March 2024 and DSCR stood at 2.65 times in FY24. However, these strengths are partly offset by the moderate working capital cycle of the firm as marked by high GCA days of 153 days consisting of inventory and higher other current assets which majorly constitutes of advances to suppliers. Further, the rating is constrained by intensity of competition in the industry due to the tender based nature of operations.

About the Company

Incorporated in 1997, Niyati Construction Company (NCC) is a Gujarat based family-owned business in the field of EPC. The firm is into construction of roads, bridges, and pipeline execution. The current partners of the firm are Ketanbhai Patel, Atinbhai Patel and Prafullaben Patel

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Niyati Construction Company to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations and experienced management.

NCC is an EPC contractor working majorly on government tenders for construction. The firm was incorporated in 1997 and over the years the firm has gained extensive experience in the construction business. The experience of the promoters can be seen by the increasing but

moderate revenue for the firm, which stood at Rs.112.89 crore in FY24 as against Rs.70.36 crore in FY23. This was on account of rising order book and timely execution of the projects. Further, the firm has recorded a revenue of Rs.60.6 crore for 5 months ended August 2024. The current order book for the firm stands at Rs.368.82 crore, which provides a steady revenue visibility for the firm in coming years.

Acuité believes that the long operational track record coupled with the industry experience of the management shall continue to benefit the firm going forward, resulting in steady growth in the scale of operations.

Moderate Financial Risk Profile.

The financial risk profile of the firm stood moderate, marked by moderate net worth, low gearing (debt-equity) and moderate debt protection metrics. The tangible net worth stood at Rs. 31.35 crore as on 31 March 2024 as against Rs.25.90 crore as on 31 March 2023. The increase in net worth was on account of accretion of profits to reserve. The total debt of the company stood at Rs. 6.42 crore which includes long term loan of Rs.4.49 crore and USL of 1.94 crore as on 31 March 2024. The firm follows a conservative financial risk policy reflected through its peak gearing of 0.93 times as on 31st March 2023. The gearing (debt-equity) stood at 0.2 times as on 31st March 2024 as compared to 0.93 times as on 31 March 2023. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 0.93 times as on 31 March 2024 as against 2.03 times as on 31 March 2023. Further, coverage indicators stood moderate with both Debt Service Coverage Ratio stood at 2.65 times and Interest Coverage Ratio stood at 3.41 times for FY2024. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.91 times for FY2024 as against 0.14 times for FY2023.

Acuite believes the financial risk profile of the firm may continue to remain moderate on account of steady cash accruals with no additional debt-funded capex plans.

Weaknesses

Intensive Working Capital Management

The working capital management of the firm is intensive marked by GCA days of 153 days in FY24 as against 315 days in FY23. Higher GCA days are on account of inventory and higher other current assets consisting of advances to suppliers. The inventory days for the firm decreased and stood at 66 days in FY2024 as against 103 days in FY2023. Subsequently, the debtor's collection period also decreased and stood at 17 days in FY24 as against 84 days in FY23. Decrease in debtors days was on account of high realizations during the year end for the company in FY24. The creditors' days stood at 12 days in FY24 as against 31 days in FY23. As a result, the reliance on working capital limits is marked moderate, as reflected by moderate utilizations of fund-based limit of around 67 percent in the last 8 months ended August 2024.

Acuite expects the working capital operations of the firm may continue to remain moderate considering the nature of industry.

Exposure to Intense competition in a fragmented industry

The infrastructure is a fairly fragmented industry with a presence of few large pan India players where subcontracting & project specific partnerships for technical/financial reasons are fairly common. The firm faces stiff competition with its competitors in procuring orders through bidding, immense competition for procuring tenders leads to very competitive pricing which in turn lead to stress on the margins. Moreover, susceptibility of raw material pricing again keeps profit margin vulnerable and is a key sensitivity factor.

Rating Sensitivities

- Improvement in the scale of operations with improving operating margins.
- Elongation of working capital cycle leading to stretch in liquidity.

Liquidity Position Adequate

The firm's liquidity position is adequate, marked by sufficient net cash accruals against the maturing debt obligations. The firm is expected to generate cash accrual in the range of Rs.10.61-13.5 crore against the maturing repayment obligations of Rs.1.5 crore over the

medium term. The working capital limits are marked moderate as reflected by moderate utilizations of fund-based limit of around 67 percent and non-fund based limit of 87 percent in the last 8 months ended August' 2024. The current ratio stands at 2.03 times as on March 31, 2024, as against 1.53 times as on 31 March 2023. The cash and cash equivalent also stood at 2.36 crore as on 31st March 2024.

Acuite believes the liquidity position of the firm may continue to remain adequate with steady cash accruals against the maturing repayment obligations.

Outlook: Stable

Acuite believes the outlook on NCC will continue to remain 'Stable' over the medium term backed by long track record of operations and experienced management. The outlook may be revised to 'Positive' if the firm is able to significantly improve the scale of operations, leading to improvement in operating margins and working capital operations of the firm. Conversely, the outlook may be revised to 'Negative' in case of any deterioration in the financial risk profile of the firm by not able to scale up the business and any deterioration in working capital management.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	112.89	70.36
PAT	Rs. Cr.	5.30	2.81
PAT Margin	(%)	4.70	3.99
Total Debt/Tangible Net Worth	Times	0.20	0.93
PBDIT/Interest	Times	3.41	2.05

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

BWR, vide its press release dated December 27th, 2023 had denoted the rating of Niyati Construction Company as BWR BB/ Stable/ A4 'DOWNGRADED AND ISSUER NOT CO-OPERATING'.

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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 :

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 India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.50	ACUITE A3 Assigned
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A3 Assigned
Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.50	ACUITE BBB- Stable Assigned
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE BBB- Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.02	ACUITE A3 Assigned
Bank of India	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Oct 2026	Simple	2.12	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

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