

## Navkar Global Infra

October 04, 2021

### Rating

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	9.75	<b>CARE BB; Stable</b> <b>(Double B; Outlook: Stable)</b>	Reaffirmed
<b>Total Facilities</b>	<b>9.75</b> <b>(Rs. Nine Crore and</b> <b>Seventy-Five Lakhs Only)</b>		

*Details of facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE has taken a combined view of Shri Sourab Sagar Trading Company Private Limited (SSSTPL), Cosmos Infra (CI), Global Impex (GI), Navkar Global Infra (NGI) and AS Krishna Associates Private Limited (ASKA) together representing the Navkar Group (NG) factoring the common promoter of entities, inter-related transactions and operational business linkages.

The rating assigned to the bank facilities of group continues to remain constrained by its modest though growing scale of operations, thin profitability margins and leveraged capital structure. The rating, further, continue to remain constrained by risk associated with elongated operating cycle, project execution risk inherent in various infrastructure projects and its presence in a highly competitive industry along with business risks associated with tender- based orders. The rating, however, continue to draw comfort from experienced promoters with long track record of operations, moderate debt coverage indicators and moderate order book position coupled with reputed customer base.

### Rating Sensitivities

#### Positive Factors

- Consistent increase in scale of operations of the group as marked by total operating income of above Rs.500.00 crore.
- Improvement in the capital structure as marked by overall gearing ratio of below 2.00x.

#### Negative Factors

- Deterioration in profitability margins as marked by PBILDT and PAT margin below 3.50% and 1.00% respectively.
- Continued elongation in the collection period of the group beyond 150 days.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

**Modest though growing scale of operations:** Navkar group's scale of operations continues to remain modest as marked by total operating income of Rs.370.05 crore and gross cash accruals of Rs.11.41 crore respectively, during FY21 (FY refers to the period April 1 to March 31; based on provisional results) as against Rs.261.40 crore and Rs.6.67 crore respectively during FY20. Nevertheless, the scale remains modest, modest scale limits the group's financial flexibility in times of stress and deprives it of scale benefits. Though, the risk is partially mitigated by the fact that the group's scale of operations is growing continuously for the period (FY19-FY21), Group's total operating income grew with a CAGR of 21.07% for the last three years ending FY21 attributable to higher intake from its existing customers mainly Tata Projects Limited and J. Kumar Infra Projects Limited coupled with higher contracts executed. Further, the group has achieved TOI of ~Rs.164.10 crore during 5MFY22 (refers to the period April 1 to August 31; based on provisional results).

**Thin profitability margins and leveraged capital structure:** The profitability margins of the group stood thin for the last three financial years (FY19-FY21) on account of trading nature of the business and highly fragmented nature of industry characterized by intense competition. PBILDT margin of the group stood at 5.69% in FY21 and improved from 5.29% in FY20 on the back of execution of contracts having better profitability margins. Thus, PAT margin also improved and stood at 1.60% in FY21 as against 1.36% in FY20.

The capital structure of the group stood leveraged on the past two balance sheet dates ending March 31, '20-'21 on account of high debt levels against net worth base. Overall gearing ratio stood at 3.11x as on March 31, 2021 showing deterioration from 2.41x as on March 31, 2020 mainly on account of increase in term loans primarily vehicle loans coupled with increased reliance on external borrowings to fund the incremental working capital requirements of business due to uncertainty of COVID-19 impact. Further, the average utilization of working capital limits remained around 98% utilized for past 12 months period ending August, 2021.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

**Elongated operating cycle:** The operations of the group continue to remain elongated as marked by operating cycle of 62 days for FY21 mainly on account of elongated collection period. Group maintains adequate inventory of traded goods to cater the immediate demand of its customers. Besides this, the inventory is also in the form of work-in-process at different sites on account of procedural delays involved in the certifications/validation of the invoices for the contracts executed resulting in an average inventory holding period of 16 days for FY21. Being present in a highly competitive business, the group normally extends credit period of around 60-90 days to its customers. Further, the group receives an average credit period of around 30-60 days from its suppliers resulting in an average creditor's period of around 55 days for FY21.

**Project execution risk inherent in various infrastructure projects:** Given the nature of projects awarded, Navkar group is exposed to inherent risk in terms of delays in certain projects undertaken by the group due to delay in approvals and sanction from regulatory bodies, thus exposing group towards the risk of delay in projects resulting in a delay in the realization of revenue growth. Furthermore, the group is currently executing projects of Delhi Jal Board, Rohtak Municipal Corporation, Tata Projects Limited, etc., which needs to be executed within two years, thus, the group's ability to execute a project in timely manner led by its own operational efficiency and timely stage payments received from its clients is also crucial from credit prospective.

**Presence in a highly competitive industry along with business risks associated with tender-based orders:** Navkar Group faces direct competition from various organized and unorganized players in the market. There are number of small and regional players catering to the same market which has limited the bargaining power of the group and has exerted pressure on its margins. Further, the group majorly undertakes projects which are awarded through the tender-based system. This exposes the group towards risk associated with the tender-based business, which is characterized by intense competition. The growth of the business depends on its ability to successfully bid for the tenders and emerge as the lowest bidder. This apart, any changes in the government policy or government spending on projects are likely to affect the revenues and profits of the group.

#### Key Rating Strengths

**Experienced promoters with long track record of operations:** Established in 2010, Navkar Group is promoted by Mr. Sanat Jain, Mr. Amit Jain, Mr. Vinay Pal, Mr. Ajay Kumar, Mr. Sourabh Jain, Mr. Sambhav Jain, Mr. Sanjay Gupta, Mr. Rajat Chhabra, Mr. Anil Sharma, Mr. Dharmendra Sadh, Mr. Nitin Chandna and Mr. Sachin Jain and they collectively look after the overall operations of the group. All the promoters have accumulated vast experience of more than a decade in trading of construction materials and construction business through their association with the group and family run business. The group has been operating in this business for nearly two decades, which aid in establishing a healthy relationship with both customers and suppliers.

**Moderate debt coverage indicators:** The debt coverage indicators of the group improved and stood moderate as marked by interest coverage ratio and total debt to GCA of 2.24x and 8.61x respectively for FY21 as against 2.08x and 10.79x respectively for FY20 mainly on account of higher PBILDT consequently leading into higher gross cash accruals.

**Moderate order book position coupled with reputed customer base:** Navkar group's business risk profile continues to be supported by healthy association developed with various reputed companies like Larsen & Toubro Limited, Tata Projects Limited, J. Kumar Infra Projects Limited, Ashoka Buildcon Limited, B.G. Shirke Construction Technology Private Limited, etc. In light of satisfactory work, group has managed to get repeat orders/contracts from its customers.

The unexecuted order book of the group in the construction segment stood at Rs.459.48 crore as on August 31, 2021, thereby giving near term revenue visibility. Further, the group has order book of ~Rs.650.00 crore in trading segment also.

#### Liquidity: Adequate

The liquidity position of the group remained adequate characterized by sufficient cushion in accruals vis-à-vis repayment obligations. The group has reported gross cash accruals to the extent of Rs.11.41 crore during FY21 and is expected to generate envisaged GCA of Rs.12.67 crore for FY22 against repayment obligations of Rs.9.51 crore in same year. However, the working capital limits are almost 98% utilized for the past 12 month's period ending August, 2021 and has adequate free cash & bank balances which stood at Rs.2.80 crore as on March 31, 2021.

#### **Analytical approach:** Combined

For the rating purpose we have combined the financials of five entities namely; Shri Sourab Sagar Trading Company Private Limited (SSSTPL), Cosmos Infra (CI), Global Impex (GI), Navkar Global Infra (NGI) and AS Krishna Associates Private Limited (ASKA). The combined approach of evaluation is taken to factor in the operational business linkages, common management bandwidth, inter-related transactions and financial flexibility within the group as the entities are closely held with significant ownership & control by a common promoter/promoter family and they operate in similar lines of business. Further, the extent of support is in form of personal guarantee provided by the promoters across the group.

### Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology – Wholesale Trading Companies](#)

[Rating Methodology – Construction Sector](#)

[Rating Methodology - Consolidation](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Financial ratios – Non-Financial Sector](#)

### About the Group

Established in 2010, Navkar Group consists of five entities namely; Shri Sourab Sagar Trading Company Private Limited, Cosmos Infra, Global Impex, Navkar Global Infra and AS Krishna Associates Private Limited who caters to construction & cement industry and has its offices in six states- Delhi, Punjab, Rajasthan, Gujarat, Haryana and Uttar Pradesh.

**Shri Sourab Sagar Trading Company Private Limited (SSSTPL)** was incorporated in March, 2012 as a private limited company. The directors are Mr. Ajay Kumar and Mr. Sourabh Jain and is engaged in the trading of construction materials such as filling sand, fine sand, aggregates and ballast. The company has its own stockyard of aggregates and sand in Kundli Industrial Area, Sonipat.

Delhi based **Cosmos Infra (CI)** is a partnership firm established on August 31, 2017. Currently, the partners of the firm are namely; Mr. Sambhav Jain, Mr. Sanjay Gupta and Mr. Rajat Chhabra sharing profit and losses in the ratio of 50%, 25% and 25% respectively. CI is trader and distributor of wide range of construction materials like sand, aggregate, dust, granular sub base (GSB), etc. It caters to companies like Larsen & Toubro Limited, Apco Infratech Private Limited, Tata Projects Limited, etc.

**Global Impex (GI)** was established in 2016 as a partnership firm. The firm is currently managed by Mr. Anil Sharma and Mr. Dharmendra Sadh sharing profit and losses equally. The firm is engaged in the trading of construction materials like aggregate, dust, sand, granular sub base (GSB), etc.

Delhi based **Navkar Global Infra (NGI)** is a partnership firm established on January 29, 2018. The firm is currently managed by Mr. Anil Sharma, Mr. Dharmendra Sadh, Mr. Nitin Chandna and Mr. Sachin Jain sharing profit and losses in the ratio of 19.40%, 19.40%, 20.40% and 40.80% respectively. The firm is engaged in the trading of construction materials such as aggregates, dust, sand, ballast, flyers or any other related items. The firm is also engaged in the construction of track beds on sub-contracting basis mainly for Tata Projects Limited. The firm is generating 70% revenue from trading business and rest 30% from construction business. NGI is one of the major vendors for all the big group of companies like Larsen & Toubro Limited, B.G. Shirke Construction Technology Private Limited, Ashoka Buildcon Limited, JK Cement Limited, J. Kumar Infra Projects Limited, etc.

**AS Krishna Associates Private Limited (ASKA)** was incorporated in November, 2010 and is currently managed by Mr. Amit Jain, Mr. Vinay Pal and Mr. Ajay Kumar. The company is engaged in the construction of sewage treatment plants (STP) and water drainage system.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)	FY21 (Prov.)
Total operating income	223.12	261.40	370.05
PBILDT	10.39	13.83	21.07
PAT	2.95	3.57	5.93
Overall gearing (times)	1.75	2.41	3.11
Interest coverage (times)	1.91	2.08	2.24

A: Audited; Prov.: Provisional

**Status of non-cooperation with previous CRA:** Brickwork Ratings has conducted the review and has maintained Navkar Global Infra as "Not Cooperating" vide its press release dated July 20, 2021.

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

### Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Working Capital Limits		-	-	-	9.75	CARE BB; Stable

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Working Capital Limits	LT	9.75	CARE BB; Stable	-	1)CARE BB; Stable (12-Nov-20)	-	-

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities:** Not Applicable

**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Working Capital Limits	Simple

**Annexure 5: Bank Lender Details for this Company**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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