

Nandini Enterprises

April 08, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	3.50	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B+; Stable; (Single B Plus; Outlook: Stable)
Short Term Bank Facilities	10.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Bank Facilities	13.50 (Rs. Thirteen Crore and Fifty Lakhs Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated January 28, 2020, placed the rating(s) of Nandini Enterprises (NE) under the 'issuer non-cooperating' category as NE had failed to provide information for monitoring of the rating for the rating exercise as agreed to in its Rating Agreement. NE continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and email dated March 20, 2021, March 23, 2021, March 30, 2021 and March 31, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The revision in the rating takes into accounts of non-availability of requisite information. The ratings continue to remain constrained on account of its small scale of operations, moderate capital structure and stretched liquidity position. The ratings are, further, constrained on account of its presence in the highly competitive government civil construction segment and constitution as a proprietorship concern.

The ratings, however, favorably take into account experienced promoters with long track record of operations and its moderate order book position. The ratings, further, derive strength from its long standing association with reputed client and moderate profitability margins.

Detailed description of the key rating drivers

At the time of last rating on January 28, 2020 the following were the rating strengths and weaknesses

Key Rating Weaknesses

Small scale of operations

During FY18, the scale of operations of the firm stood small marked by Total Operating Income (TOI) of Rs.5.98 crore, declined by 16.48% over FY17 mainly due to issue with the running bills and GST implication.

The firm registered Total Operating Income of Rs.6.00 crore till October 31,2018.

Moderate capital structure

The capital structure of the firm stood moderate marked by overall gearing of 1.76 times as on March 31, 2018, improved from 2.67 times as on March 31, 2017 mainly on account of lower utilisation of working capital borrowing. Further, the debt service coverage indicators also stood moderate with total debt to GCA of 7.83 times as on March 31, 2018, improved from 8.38 times as on March 31, 2017 mainly due to decline in total debt. Furthermore, interest coverage stood moderate at 2.55 times in FY18 improved from 2.30 times in FY17 on account of decline in interest and finance cost.

Stretched liquidity position

Liquidity position of the firm stood stretched marked by 60% utilization of working capital bank borrowing during last 12 month ended October 31, 2018. Owing to high creditors, the working capital cycle remained negative at 83 days. Further, current ratio and quick ratio also stood below unity at 0.90 and 0.89 times respectively as on March 31, 2018.

High competitive intensity in the government civil construction segment

The construction industry is highly fragmented in nature with presence of large number of unorganized players and a few large organized players coupled with the tender driven nature of construction contracts poses huge competition and puts pressure on the profitability margins of the players. Further, as the firm participates in tenders invited by government departments, high competition and lower bargaining power restricts its profitability margins.

Key Rating Strengths

Experienced Promoter with long track record of operations

Mr. Raj Kumar Bhargava, Proprietor, has around two decade of experience in the industry and looks after overall affairs of the firm. Since present in the industry from around 2 decades, the firm has established relations with government departments such as the Public Works Department and Public Health Engineering Department (PHED) and same is reflecting from the repeated orders from them as well as moderate order book position.

Moderate order book position with long standing association with reputed client

As on October 31, 2018, NE had moderate order book position of Rs.9.62crore with total twelve projects in hand. The projects mainly related to public water supply, other irrigation projects (pipeline work, tube well construction, water storage tanks, and drainage) and civil construction work (building construction). NE is registered 'AA' class approved government contractor working for Public Health Engineering Department (PHED) so mainly gets order from Public Health Engineering Department (PHED). The on-going projects of the firm are likely to be executed within a period of 15 month to 18 month, providing medium term revenue visibility.

Moderate profitability margins

The profitability margins of the firm stood moderate marked by PBILDT and PAT margin of 9.93% and 5.03% respectively in FY18. During FY18, PBILDT margin of the firm declined by 49 bps over FY17 mainly on account of increase in power & fuel expenses and employee expenses. However, despite decline in PBILDT margin, PAT margin of firm improved marginally by 3 bps in FY18 over FY17 owing to lower interest expenses. Further, GCA level of the firm also stood moderate at Rs.0.36crore in FY18, although declined from Rs.0.42crore in FY17 owing to decline in scale of operations.

Analytical approach: Standalone

Applicable Criteria

Policy in respect of Non-cooperation by issuer

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

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

[Criteria for Short Term Instruments](#)

[Rating Methodology – Construction](#)

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

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

About the Firm

Jaipur(Rajasthan) based Nandini Enterprises (NE) was formed in 1999 as a proprietorship firm by Mr. Raj Kumar Bhargava. NE is registered 'AA' class approved government contractor for Public Health Engineering Department (PHED) to undertake projects related to public water supply, other irrigation projects (pipeline work, tube well construction, water storage tanks, and drainage) and civil construction work (building construction).

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	7.16	5.98
PBILDT	0.75	0.59
PAT	0.36	0.30
Overall gearing (times)	2.67	1.76
Interest coverage (times)	2.30	2.55

*(A; Audited)

Status of non-cooperation with previous CRA: None.

Any other information: None

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this firm: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft	-	-	-	3.50	CARE B; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantees	-	-	-	10.00	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

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-Bank Overdraft	LT	3.50	CARE B; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (28-Jan-20)	1)CARE B+; Stable (11-Dec-18)
2.	Non-fund-based - ST-Bank Guarantees	ST	10.00	CARE A4; ISSUER NOT COOPERATING*	-	-	1)CARE A4; ISSUER NOT COOPERATING* (28-Jan-20)	1)CARE A4 (11-Dec-18)

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities-N/A

Annexure 4: Complexity level of various instruments rated for this firm

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Bank Overdraft	Simple
2.	Non-fund-based - ST-Bank Guarantees	Simple

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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