

## Neelkanth Engineers

October 24, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	1.00	CARE B-; Stable	Assigned
Long Term / Short Term Bank Facilities	4.00	CARE B-; Stable / CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of Neelkanth Engineers (NE) factor in small scale of operations, proprietorship constitution of the firm, and low net-worth base. The ratings are also constrained by the firm's presence in a fragmented and competitive construction industry with tender based nature of operations. However, these rating weaknesses are partially offset by experienced management, healthy order book position providing revenue visibility over medium term and comfortable capital structure.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Increase in the Total Operating Income of the firm above Rs.50 crore while maintaining PBILDT margins above 6%.

#### Negative factors

- Decrease in TOI of the firm below Rs.5.00 crore along with PBILDT margins below 3.00% on a sustained basis.
- Any debt funded capex leading to overall gearing above 2.00x on a sustained basis.

### Analytical approach: Standalone

#### Outlook: Stable

Stable outlook reflects that the firm will continue to benefit from the experienced management and healthy order book position.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Small Scale of operations with low net worth base

The firm though growing has small scale of operations as marked by their TOI (Total operating income) of Rs.9.11 crore (PY: Rs.4.44 crore) during FY24 (refers to the period from April 01, 2023, to March 31, 2024). The PBILDT and PAT margin of the firm stood moderate at 5.19% (PY: 4.26%) and 5.30% (PY: 3.32%) in FY24 respectively. Further, the net-worth base of the firm remained low at Rs.0.46 crore as on March 31, 2024 (PY: Rs.0.11 crore).

##### Presence in a highly fragmented and competitive construction industry

Neelkanth operates in the intensely competitive construction industry wherein projects are awarded based on relevant experience of the bidder, financial capability, and most attractive bid price. The high competition in the industry is due to the presence of large number of small and medium players resulting in aggressive bidding which exerts pressure on the margins.

##### Constitution as a proprietorship firm

The credit risk profile of Neelkanth is constrained by its proprietorship constitution wherein there is an inherent risk of withdrawal of the capital which may affect its financial flexibility in the eventuality of occurrence of such event.

### Key Strengths

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

### Experienced Management

The firm's management is led by Mr Rajat Gupta, director and Mr Ashish Gupta are sons of Mrs Prem Lata Agarwal. Mr Ashish has more than 20+ years of experience in business development and Mr Rajat has 15+ years of experience in the telecom industry. Along with them, the firm is led by Mr Pramod Kumar, CEO who has 18+ years of experience in business strategy and Mr Rohit Chowdhary, Project Director who has 13+ years of experience in various telecom projects.

### Healthy order book position with strong clientele

The company has a healthy unexecuted order book of Rs 25.36 crores as on August 31, 2024 which translates into total order book/TOI ratio of 2.78x of total operating income of FY24 providing revenue visibility over medium term. The firm's clientele comprises of BSNL (CARE BBB; Stable/CARE A3+), HFCL (Himachal futuristic Communication Ltd), TCIL (Telecommunication Consultant India Ltd) and now also has registered with Airtel.

### Comfortable Financial Risk Profile:

The firm has moderate comfortable financial risk profile characterised by overall gearing ratio of 0.21x as on March 31, 2024 (PY: 0.99x). This has majorly improved on account of improved net worth of promoter. Further, the debt coverage indicators of the firm also stood comfortable with interest coverage ratio at 27.57x as on March 31, 2024. (PY:15.39x)

### Liquidity: Adequate

The firm has gross cash accruals (GCA) of Rs 0.51 crore during FY24 and expected to generate GCA of ~Rs.0.80 crore against which it has repayment obligations of Rs 0.02 crore in FY25. The current ratio and quick ratio of the firm stood low at 0.78x and 0.78x respectively as on March 31, 2024. Further, the firm has free cash and bank balance of Rs. 0.10 crore with lien marked FD balance of Rs 1.35 crores as on September 27, 2024.

### Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Mobile Service Provider](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Telecommunication	Telecommunication	Telecom - Services	Other Telecom Services

Neelkanth Engineers was incorporated on 2004, as a proprietorship firm, that provides turnkey services for telecom infrastructure to its clients like—RF (Radio frequency) Cell planning, frequency planning, capacity planning RF optimisation and KPI analysis among others.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	4.44	9.11
PBILDT	0.19	0.47
PAT	0.15	0.48
Overall gearing (times)	0.99	0.21
Interest coverage (times)	15.39	27.57

A: Audited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	1.00	CARE B-; Stable
Non-fund-based - LT/ ST-BG/LC		-	-	-	4.00	CARE B-; Stable / CARE A4

#### Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	1.00	CARE B-; Stable				
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	4.00	CARE B-; Stable / CARE A4				

LT: Long term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable

#### Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-BG/LC	Simple

#### Annexure-5: Lender details

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

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

**Contact Us:**

<b>Media Contact</b>  Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a>	<b>Analytical Contacts</b>  Puneet Kansal Director <b>CARE Ratings Limited</b> Phone: 120-4452018 E-mail: <a href="mailto:puneet.kansal@careedge.in">puneet.kansal@careedge.in</a>
<b>Relationship Contact</b>  Pradeep Kumar V Senior Director <b>CARE Ratings Limited</b> Phone: 914428501001 E-mail: <a href="mailto:pradeep.kumar@careedge.in">pradeep.kumar@careedge.in</a>	Dhruv Mittal Assistant Director <b>CARE Ratings Limited</b> Phone: 91-120-4452050 E-mail: <a href="mailto:dhruv.mittal@careedge.in">dhruv.mittal@careedge.in</a>
	Meenal Gupta Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:Meenal.gupta@careedge.in">Meenal.gupta@careedge.in</a>

**About us:**

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

**Disclaimer:**

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.