

## N G Gadhiya

October 09, 2024

| Facilities/Instruments                 | Amount<br>(₹ crore) | Rating <sup>1</sup>                                  | Rating Action  |
|--|---------------------|--|--|
| Long Term Bank Facilities              | 2.00                | CARE BB+; Stable; ISSUER NOT COOPERATING*            | Downgraded from CARE BBB-; Stable and moved to ISSUER NOT COOPERATING category           |
| Long Term / Short Term Bank Facilities | 148.00              | CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* | Downgraded from CARE BBB-; Stable / CARE A3 and moved to ISSUER NOT COOPERATING category |

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from N G Gadhiya (NGG) to monitor the ratings vide e-mail communications dated September 13, 2024; September 11, 2024; August 13, 2024; May 17, 2024, amongst others and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. (CARE Ratings) has reviewed the rating on the basis of the best available information which however, in CARE Ratings' opinion is not sufficient to arrive at a fair rating. The ratings on NGG's bank facilities will now be denoted as **CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING\***.

**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 rating has been revised on account of non-availability of the requisite information to conduct the review. The ratings assigned to bank facilities of NGG derive strength from its established track record in execution of mid-sized civil construction projects, healthy orderbook position and low counterparty risk. The ratings also take cognisance of y-o-y growth in scale of operations and comfortable financial risk profile. The above rating strengths are, however, partially offset by moderate profitability which remains susceptible to volatile raw material prices, geographical concentration of NGG's orderbook, proprietorship nature of constitution and its presence in a highly fragmented and competitive tender-driven construction industry.

### Analytical approach: Standalone

#### Outlook: Stable

The stable outlook reflects Care Ratings expectations that NGG shall be able to sustain its credit risk profile in near to medium term backed by healthy orderbook position and comfortable capital structure.

### Detailed description of key rating drivers:

At the time of last rating on July 21, 2023, the following were the rating strengths and weaknesses considered (updated for Audited financials of FY23).

#### Key weaknesses

##### Moderate profitability and low net worth base on account of withdrawal of profits

NGG subcontracts part execution of the projects to its sister concern, 3S Infra Brothers Private Limited and hence its profit before interest, lease, depreciation and tax (PBILDT) margins remained moderate at 5.71% (PY: 6.86%) with gross cash accruals of Rs.26.72 crore in FY23 (PY: Rs. 13.37 crore).

Moreover, during last five years, the proprietor has withdrawn a major portion of the profits which has resulted in modest net worth base of Rs. 32.80 crore as on March 31, 2023. During FY23, the proprietor has withdrawn Rs. 23.86 crore (PY: Rs.15.28 crore) from the firm.

##### Presence in highly fragmented and competitive industry with susceptibility of profitability to fluctuations in input prices

NGG operates in highly competitive and fragmented construction industry. With the increase in order book of construction companies, availability and retention of skilled manpower has also become a major challenge. Moreover, due to low credit risk and a relatively stable payment track record associated with projects funded by government bodies, these projects are lucrative

<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.

for contractors and hence remain highly competitive. Notwithstanding above, considering execution period of around 12-36 months, NGG's profitability also remains susceptible to volatility in labour and raw materials prices. The impact, however, is partially mitigated by the presence of in-built price escalation clause in major contracts on hand.

### Key strengths

#### Healthy orderbook with low counterparty risk; albeit high geographical concentration

NGG had an order book of Rs.1,350 crore as on April 30, 2023 (including a contract of Rs.165 crore awarded post orderbook date) translating to an Orderbook/ Total Operating Income (TOI) of FY23 at 2.85x, reflecting healthy revenue visibility in medium term. NGG's orderbook is segmentally diversified among overburden removal contracts, building construction contracts and dredging contracts majorly from government entities including urban local bodies and state government undertakings, translating into low counterparty risk. Nevertheless, the entire orderbook remains concentrated in Rajasthan, exposing the firm to changes in government policies/ political upheavals in the state.

#### Growth in scale of operations with comfortable financial risk profile.

NGG's TOI grew at compounded annual growth rate (CAGR) of ~32% in past five years trailing to Rs. 473.16 crore in FY23 (Audited) (PY: Rs. 324.80 crore). The proprietorship concern has a comfortable capital structure marked by nil long-term debt and negligible utilisation of working capital limits and its total debt primarily consist of interest free mobilisation advances availed from principal authorities. NGG reported overall gearing of 0.86x as on FY23 end (PY end: 0.64x). The debt coverage indicators remained satisfactory marked by TD/GCA of 1.07x in FY23 (PY:1.50x) and interest coverage ratio of 17.98x in FY23 (PY: 21.31x).

#### Established track record of the promoter group in execution of midsize civil construction projects

NGG was incorporated as a proprietorship concern in 2000 and is managed by proprietor Mr. Nilesh Gadhiya and his brothers Mr. Ashwin Gadhiya and Mr. Hitesh Gadhiya. NGG is registered as an 'AA' class category government contractor with Government of Rajasthan for execution of civil projects. Apart from civil construction segment, the promoter family has presence in education and hospitality segment through its group entities. The promoter family also owns a majority stake in Engineers and Engineers (Electricals) Private Limited engaged in manufacturing of electronic panels.

### Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Construction](#)

[Short Term Instruments](#)

### About the firm and industry

#### Industry classification

| Macroeconomic indicator | Sector       | Industry     | Basic industry     |
|-------------------------|--------------|--------------|--------------------|
| Industrials             | Construction | Construction | Civil Construction |

Jaipur based NGG is a proprietorship concern constituted in year 2000 by proprietor Nilesh Ghanshyam Gadhiya. NGG is engaged in execution buildings, mining, water supply and sewage works, etc. contracts on engineering, procurement and construction (EPC) basis in Rajasthan, Gujarat, Haryana, Jharkhand, Uttar Pradesh etc

| Brief Financials (₹ crore) | March 31, 2021 (A) | March 31, 2022 (A) | March 31, 2023 (A) |
|----------------------------|--------------------|--------------------|--------------------|
| Total operating income     | 244.94             | 324.80             | 473.16             |
| PBILDT                     | 19.81              | 22.30              | 27.00              |
| PAT                        | 10.33              | 11.70              | 24.88              |
| Overall gearing (times)    | 0.35               | 0.64               | 0.86               |
| Interest coverage (times)  | 20.61              | 21.31              | 17.98              |

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 | Coupon Rate (%) | Maturity Date | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook                   |
|--|------|------------------|-----------------|---------------|-----------------------------|--|
| Fund-based - LT-Bank Overdraft         | -    | -                | -               | -             | 2.00                        | CARE BB+; Stable; ISSUER NOT COOPERATING*            |
| Non-fund-based - LT/ ST-Bank Guarantee | -    | -                | -               | -             | 148.00                      | CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* |

\*Issuer did not cooperate; based on best available information.

#### 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       | Non-fund-based - LT/ ST-Bank Guarantee | LT/ST           | 148.00                       | CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* | -   | 1)CARE BBB-; Stable / CARE A3 (21-Jul-23)   | -   | -   |
| 2       | Fund-based - LT-Bank Overdraft         | LT              | 2.00                         | CARE BB+; Stable; ISSUER NOT COOPERATING*            | -   | 1)CARE BBB-; Stable (21-Jul-23)             | -   | -   |

\*Issuer did not cooperate; based on best available information.

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-Bank Overdraft         | Simple           |
| 2       | Non-fund-based - LT/ ST-Bank Guarantee | 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 for clarifications.

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### About us:

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### Disclaimer:

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