

Nanu Ram Goyal and Company (Revised)

January 21, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	4.00	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB; Stable (Double B; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	20.00	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* (Double B Minus ; Outlook: Stable/ A Four ISSUER NOT COOPERATING*)	Revised from CARE BB; Stable / CARE A4 (Double B ; Outlook: Stable / A Four) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	24.00 (Rs. Twenty-Four Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Nanu Ram Goyal and Company to monitor the rating vide e-mail communications dated January 06, 2022, November 02, 2021, October 04, 2021, and numerous phone calls etc., 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 has reviewed the rating based on the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Nanu Ram Goyal and Company 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 by considering non-availability of requisite information and no due diligence conducted with banker due to non-cooperation by Nanu Ram Goyal and Company with CARE'S efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk.

Detailed description of the key rating drivers

At the time of last rating PR dated 29th Oct 20, the following were the rating weaknesses and strengths.

Key Rating Weaknesses

Experienced proprietor with long track record of operation

NRGC has been in operation since 2002 and accordingly has a long track record of operations of more than a decade. The entity is managed by Mr. Dwarka Dass Goyal (aged 64), proprietor, who has an experience of more than a decade in the construction industry and over the years the firm has been able to procure contracts and execute them efficiently.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Moderate order book position, however entailing client concentration

NRGC has an unexecuted order book of Rs.238.77crore as on September 30, 2020 which is equivalent to 5.48x of the total operating income achieved in FY20, thereby giving medium term revenue visibility. The average tenor of the contracts to be executed varies up to 3-4 years. However, the present unexecuted order book is concentrated towards contracts received from Haryana Urban Estates Town Country Planning Employees Welfare Organization, Panchkula. Hence, effective and timely execution of the orders has a direct bearing on the margins.

Moderate financial risk profile

The financial risk profile of the NRGC stood moderate characterized by comfortable interest coverage and comfortable capital structure. PBILDT margin stood at 6.60% in FY20 (A) as against 9.02% in FY19 on account of increase in the direct cost. However, PAT margin has improved and stood 2.87% in FY20 (A) as against 2.76% in FY19 on account of decrease in the interest cost and depreciation of the firm. NRGC's Capital structure of NRGC stood moderate as on last three balance sheet dates ending March 31, 2018, '19 and '20 mainly on account of satisfactory net worth base against availed debt levels. The debt/equity ratio and overall gearing ratio stood 0.00x and 0.55x in FY20 as against 0.48x and 0.53 in FY19.

Owing to moderate profitability margins the debt coverage indicators stood comfortable marked by Interest coverage and total debt to GCA at 4.28x and 3.65x in FY20 as against 2.74x and 3.62x for the FY19. The improvement in the coverage indicators in FY20 (A) was on account of low finance cost and debt level of the firm coupled with increased gross cash accruals.

Moderate operating cycle

The operating cycle of the firm stood moderate as marked by 77 days for FY20. The firm maintains sufficient raw material inventory to address the volatility in the same and to ensure availability of raw materials especially for the projects executed in remote locations. Further, the firm maintains work in progress inventory at different sites for smooth execution of contracts which leads to inventory days of 48 days in FY20. Further, the firm receives credit period of around 4-5 months from its suppliers, owing to long standing relationship.

Key Rating Weakness**Small though growing scale of operations**

NRGC is a small regional player involved in the construction space. The ability of the firm to scale up to larger-sized contracts having better operating margins is constrained by its comparatively modest capital base of Rs.14.72 crore as on March 31, 2020. The scale of operations of the firm remain small as marked by total operating income and gross cash accruals of Rs.43.57 crore and Rs.2.20 crore respectively in FY20 as against Rs. 35.97 crore and Rs. 2.06 crore in FY19 owing to higher orders received for execution from existing clients. Further during the first six months ending Sep 30, 2020, the firm has registered total operating income of Rs.26 Crore.

Highly competitive industry and risks associated with tender-based orders

NRGC 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 firm and therefore has a bearing on its margins. Further, the firm undertakes government projects, which are awarded through the tender-based system. The firm is exposed to the 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 firm.

Proprietorship nature of constitution

NRGC, being a proprietorship entity, is exposed to inherent risk of proprietor's capital being withdrawn at time of personal contingency. Furthermore, limited ability to raise capital and poor succession planning may result in dissolution of entity.

Liquidity analysis: Adequate

Adequate liquidity characterized by sufficient cushion in accruals of Rs.2.20 crore vis-à-vis repayment obligations of Rs 0.02 crore. The liquidity position of the firm marked by current ratio and quick ratio stood at 2.17x and 1.91x as on March 31, 2020 as against 2.13x and 1.72x as on March 31, 2019. Further, the cash and bank balance (unencumbered) of the firm stood at Rs.0.15 crore as on March 31, 2020. Its bank limits are utilized to the extent of 53.08% supported by above unity current ratio. As per the banker, firm has not availed moratorium as provided by bank in lines with RBI guidelines in wake of COVID-19 pandemic.

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](#)

[CARE's methodology for manufacturing companies](#)

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

[Liquidity analysis of non-financial sector entities](#)

About the Firm

New Delhi based, Nanu Ram Goyal and Company (NRGC) was established in 2002, as a proprietorship firm by Mr. Dwarka Das Goyal. Mr. Dwarka Das Goyal is a graduate by qualification and has an experience of more than a decade in the construction and real estate industry through his association with this entity. He manages the overall operations of the firm. The firm is engaged in providing infrastructure development and maintenance services related to construction of residential projects. In order to get the business, firm has to participate in bids/tenders floated by government and private companies. Bricks, sand, cement, steel, tiles, bathroom accessories, electrical fittings, etc. are the major raw materials required for execution of awarded task, which are procured from various manufacturers and wholesalers located in the domestic market

Brief Financials (Rs. crore)	31-03-2019 (A)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (P)
Total operating income	35.97	43.57	NA	NA
PBILDT	3.25	2.88	NA	NA
PAT	0.99	1.25	NA	NA
Overall gearing (times)	0.53	0.55	NA	NA
Interest coverage (times)	2.74	4.28	NA	NA

A: Audited; NA: Not Available

Status of non-cooperation with previous CRA: India Ratings has placed its rating under non-cooperation due to nonsubmission of information by the entity as per its press release dated September 16, 2021

Any other information: Not applicable

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 company: Annexure 4

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-Cash Credit		-	-	-	4.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-Bank Guarantees		-	-	-	20.00	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*

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-Cash Credit	LT	4.00	CARE BB-; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB; Stable (29-Oct-20)	1)CARE BB-; Stable (17-Jan-20) 2)CARE BB-; Stable; ISSUER NOT COOPERATING * (04-Sep-19)	1)CARE BB-; Stable (15-Jan-19)
2	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST *	20.00	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING *	-	1)CARE BB; Stable / CARE A4 (29-Oct-20)	1)CARE BB-; Stable / CARE A4 (17-Jan-20) 2)CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING * (04-Sep-19)	1)CARE BB-; Stable / CARE A4 (15-Jan-19)
3	Fund-based/Non-fund-based-LT/ST	-	-	-	-	-	1)CARE BB-; Stable / CARE A4 (17-Jan-20) 2)CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING * (04-Sep-19)	1)CARE BB-; Stable / CARE A4 (15-Jan-19)

* Long Term / Short Term

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-Cash Credit	Simple
2	Non-fund-based - LT/ ST-Bank Guarantees	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 Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings Limited:

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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