

## Nanda Infra Construction Private Limited

March 21, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	14.00	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	16.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (Double B; Outlook: Stable/ A Four ISSUER NOT COOPERATING*)	Revised from CARE BB+; Stable / CARE A4+ (Double B Plus ; Outlook: Stable / A Four Plus) and moved to ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>30.00</b> <b>(Rs. Thirty Crore Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Nanda Infra Construction Private Limited (NICPL) to monitor the rating(s) vide e-mail communications/letters dated March 11, 2022, March 08, 2022 and February 21, 2022 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. Further, NICPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. 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. The rating on NICPL's bank facilities will now be denoted as **CARE BB; Stable; ISSUER NOT COOPERATING / 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 assigned to the bank facilities of NICPL continues to remain constrained by small, though growing scale of operation, geographically concentrated revenue stream, high collection period resulted in moderation in working capital cycle and exposure to risks inherent in tender-based businesses and intense competition in the industry. The ratings, however, continue to derive comfort from extensive experience of the promoter along with demonstrated execution capability in execution of small to mid-sized construction projects, satisfactory profitability margin with comfortable capital structure and strong debt coverage indicators.

### Detailed description of the key rating drivers

*At the time of last rating on April 12, 2021, the following were the rating weaknesses and strengths*

#### Key Rating Weaknesses

##### Small, though growing scale of operations

The total operating income has grown at a CAGR of 13.20% during FY18-FY20 on account of higher execution of orders in hand. Further, the profit levels and cash accruals also improved year on year in line with TOI during the aforesaid periods. Moreover, the overall scale of operations of the company remained small marked by total operating income of Rs.75.68 crore (Rs.59.70 crore in FY19), PAT of Rs.4.35 crore (Rs.2.40 crore in FY19) and GCA of Rs.6.04 crore (Rs.4.13 crore in FY19) in FY20. Further, the tangible networth base of the company also stood at Rs.21.60 crore (Rs.17.25 crore as on March 31, 2019) as on March 31, 2020 which restricts the financial flexibility of the company. Moreover, limited net-worth of the company also restricts its ability to bid for large size construction projects. There was restriction on the operation of the company since the lockdown was imposed on 25th March, 2020 accordingly the company was not able to operate. However, the company has resumed its operation from August 01, 2020 after taking approval from local authority and it has booked a turnover of Rs.70.13 crore with PBT of Rs.4.91 crore during 10MFY21.

##### Geographically concentrated revenue stream

The company derives majority of revenue from government projects limited to Odisha thereby reflecting higher geographic concentration with fortunes closely linked to the incremental development of roads and water storage projects in the state. Moreover, large part of outstanding order book of the company is also geographically limited to states of Odisha only.

##### High collection period resulted in moderation in operating cycle

The construction segment has high working capital intensity primarily due to funding requirement towards the security deposits, retention/earnest money deposits and margin money for the non-fund-based facilities. Despite modest operating cycle, the company requires working capital limits mainly for funding the Earnest Money Deposit (EMD) requirements. The requirement of non-fund-based limits also remains high on account of requirement of performance and financial bank guarantee for project bidding and retention money. Moreover, the operating cycle has moderated at 54 days during FY20 as against 18 days in FY19 on account of reduction of average creditors period. Moreover, the gross current assets days remain high at 100 days in FY20.

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

### Exposure to risks inherent in tender-based businesses and intense competition in the industry

Intense competition from several players, and exposure to risks arising from dependence on tenders and geographical presence restricted to Odisha, restrict NICPL's ability to scale up further. Growth in revenue and profitability depends on the company's ability to bid successfully and executes order within stipulated time frame

### Key Rating Strengths

#### Extensive experience of the promoter along with demonstrated execution capability in execution of small to mid-sized construction projects

The promoter, Mr Dilip Kumar Nanda, has spent nearly two and half decades in the civil construction industry. Prior to setting up NICPL, he managed the operations of Nanda Construction, a partnership firm. Longstanding presence of the promoter in the civil construction business, has enabled the company to obtain a SuperClass contractor status with the Public Works Department of Odisha, and bid for large contracts floated by departments within the state. Healthy relationship with suppliers, also ensure flexible credit periods. NICPL has over a decade of track record in execution of construction project in the state of Odisha which mainly includes construction of roads, bridges, and railway contract works etc. NICPL is registered as a superclass contractor with Public Works Department (PWD) of Odisha. NICPL has long-standing association with government bodies or public sector undertakings such as Public Works Department (PWD) Odisha, Indian Railways, etc.

#### Satisfactory profitability margin with comfortable capital structure and strong debt coverage indicators

NICPL's profitability margins improved and remained satisfactory marked by operating margin of 12.53% (FY19:11.73%) and PAT margin of 5.75% (FY19:4.02%) in FY20. The operating margin has improved during FY20 on account of better management of cost of operation. Further, the PAT margin also improved during FY20 in line with operating margin. The return on capital employed was also remained satisfactory at 23.54% in FY20 as against 18.46% in FY19. Further, the capital structure of the company has remained comfortable marked by debt equity ratio of 0.11x and overall gearing ratio of 0.68x as on March 31, 2020. Furthermore, the capital structure has improved as on March 31, 2020 mainly on account of accumulation of surplus into reserve. Moreover; the debt coverage indicators also remained strong marked by interest coverage of 4.91x (FY19: 4.15x) and TD/GCA of 2.42x (FY19:3.45x) in FY20. Further, the interest coverage has improved in FY20 due to higher increase in PBILDT levels vis-à-vis increase in interest expense during the year. Furthermore, the TD/GCA has also improved in FY20 due to higher generation of cash accruals during the year.

#### Healthy order book position of the entity

The company has an order book position of Rs.199.13 crore (2.63x of FY20 total operating income) as on January 31, 2021 which is to be executed by August 2022, reflected satisfactory revenue visibility for the company in near to medium term

**Analytical approach:** Standalone

#### Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Construction](#)

#### About the Company

Incorporated in July 2011, Nanda Infra Construction Private Limited (NICPL) was promoted by the Nanda family based out of Talcher, Odisha. The company has been primarily engaged in civil construction activities in the segments like construction of roads, bridges and railway contract work mainly in the state of Odisha. The company majorly works for the government entities such as Public Works Department (PWD) Odisha, Indian Railways, Mahanadi Coalfield Ltd., etc. NICPL is a registered class 'Superclass' contractor with PWD, Odisha which enables NICPL to participate in higher value contracts floated by the government entities.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (UA)
Total operating income	75.68	100.96	NA
PBILDT	9.48	11.24	NA
PAT	4.35	6.05	NA
Overall gearing (times)	0.68	0.20	NA
Interest coverage (times)	4.91	9.42	NA

A: Audited, UA: Unaudited, NA: Not Available

**Status of non-cooperation with previous CRA:** Issuer Not Cooperating from CRISIL vide PR dated July 13, 2021

Issuer Not Cooperating from ICRA vide PR dated April 29, 2021

**Any other information:** Not Available

**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		-	-	-	14.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ST-Bank Guarantee		-	-	-	16.00	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	14.00	CARE BB; Stable; ISSUER NOT COOPERATING*	1)CARE BB+; Stable (12-Apr-21) 2)CARE BB+; Stable (06-Apr-21)	-	-	-
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	16.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*	1)CARE BB+; Stable / CARE A4+ (12-Apr-21) 2)CARE BB+; Stable / CARE A4+ (06-Apr-21)	-	-	-

\* 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 Guarantee	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.

## Contact us

### Media Contact

Name: Mr. Mradul Mishra  
Contact no.- +91-22-6837-4424  
Email ID – [mradul.mishra@careedge.in](mailto:mradul.mishra@careedge.in)

### Analyst Contact

Name: Mr. Punit Singhania  
Contact No.- 033-4018 1620  
Email: [punit.singhania@careedge.in](mailto:punit.singhania@careedge.in)

### Business Development Contact

Name: Mr. Lalit Sikaria  
Contact No. - 033-4018 1607  
Email id – [lalit.sikaria@careedge.in](mailto:lalit.sikaria@careedge.in)

### About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

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.

### Disclaimer

The ratings issued by CARE Ratings Limited 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 Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited 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 Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited 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 Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careedge.in](http://www.careedge.in)**