NKC Projects Pvt. Ltd

May 02,2017

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	52.00 (Reduced from 52.50)	**CARE BBB-; Stable (Triple B Minus; Outlook: Stable)**	**Reaffirmed**
Long-term / Short-term bank facilities	291.00 (Reduced from 347.50)	**CARE BBB-; Stable (Triple B Minus; Outlook: Stable) / CARE A3 (A Three)**	**Reaffirmed**
Total	**343.00 (Rupees Three Hundred And Forty Three Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale& Key Rating Drivers

The ratings of the bank facilities of NKC Projects Pvt. Ltd. (NKC) continue to derive strength from its established track record of operations with extensive experience of the promoters, strong order book position with low counterparty and price variation risk and NKC's moderate financial risk profile characterized by moderate gearing and debt coverage indicators.

The ratings, however, continue to be constrained by its modest scale of operations, working capital intensive nature of operations and its presence in highly fragmented industry with high competitive intensity.

Going forward, the ability of company to improve its scale of operations and profitability coupled with timely execution of the current order bookwithout adversely impacting its capital structure and efficient management of its working capital requirement shall be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and professional management with established track record of operations-NKC, incorporated in 2003, has been engaged in the construction business for last 12 years. The company has been only executing road construction projects funded by government to reduce the country party risk.

Strong order book with lower counter party risk - The company has strong unexecuted order book with sales ratio stood at 3.34x as on March 1, 2017. NKC is having major focus on the road contracts with NHAI or other government funded projects.

Moderate financial risk profile- The company has moderate financial risk profile as exhibited by growing scale of operations, moderate profitability and improved capital structure. Despite the marginal increase in operating income the PBILDT and profitability margins declined during the period owing to few large contracts were in earlier stage involves higher cost and lower margins. The capital structure of the company although improved but remained moderate duetto scheduled payment of debt obligations coupled with accreditation of profits to net worth.

Limited price risk due to escalation clause in contracts- The company as a policy takes projects with escalation clause, which reduces the company's exposure towards volatility in the raw material prices.

Key Rating Weaknesses

Relatively small scale of operations and competitive pressure in fragmented construction sector- The Indian construction sector is highly competitive and fragmented. Due to the presence of large players as well as large number of unorganized players and project award based on competitive bidding, the sector witnesses high competitive intensity.

Working capital intensive nature of operations- NKC has working capital intensive operations as characterized by high inventory holding period and receivable period. Due to the working capital intensive operations, the average working capital utilization remained high.

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Financial ratios – Non-Financial Sector

About the Company

NKC Projects Private Limited (NKC) was incorporated in 2003 and is engaged in the road construction. The company is promoted by Mr. Naresh Kumar. Over the years, company has executed several orders as a principal contractor for road and building construction however later on company has started focusing only on the road projects. The company has unexecuted order book of Rs.1,069 crore to be executed over period of 1 to 3 years.

During FY16 (refers to the period April 01 to March 31), the company has registered total operating income of Rs.323.46 crore with PBILDT and net profit of Rs.40.28 crore and Rs.7.89 crore respectively as against total operating income of Rs.320.18 crore with PBILDT and net profit of Rs.44.38 crore and Rs.9.83 crore respectively during FY15. In 9MFY17(refers to the period April 01 to December 31), the company has registered an income of Rs.210.50 crore.

Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable
Rating History for last three years: Please refer Annexure-2

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo 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.

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-Cash Credit	-	-	-	52.00	CARE BBB-; Stable
Non-fund-based - LT/ ST-Bank Guarantees	-	-	-	291.00	CARE BBB-; Stable / CARE A3

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	52.00	CARE BBB-; Stable	-	1)CARE BBB- (20-Apr-16)	1)CARE BBB- (16-Apr-15)	-
2.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	291.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB- / CARE A3 (20-Apr-16)	1)CARE BBB- / CARE A3 (16-Apr-15)	-

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