NSPR Constructions India Private Limited

February 22, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long-term Bank Facilities	8.50	**CARE BBB; Stable (Triple B; Outlook: Stable)**	Revised from CARE BBB- (Triple B Minus)
Long-term/Short-term Bank Facilities	41.50	**CARE BBB; Stable/ CARE A3+ (Triple B; Outlook: Stable/ A Three Plus)**	Revised from CARE BBB-/ CARE A3 (Triple B Minus/A Three)
Total Facilities	**50.00 (Rupees Fifty crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities of NSPR Constructions (India) Private Limited (NSPR) takes into account healthy growth in the total operating income and overall improvement in financial risk profile during FY16 (refers to the period April 01 to March 31). The ratings also factor in considerable experience and track record of the promoters in executing road projects, moderate order book position and regular financial support from group's road SPVs and promoters in the form of interest free Inter Corporate Deposits (ICDs) and unsecured loans, respectively.

The ratings, however, are constrained by elongated working capital cycle, decline in the profitability margins, geographic concentration of order book and intense competition in the civil construction space due to the fragmented industry structure coupled with tender-based contract awarding system followed by the Government departments which exerts pressure on profitability.

The ability of the company to execute the orders on hand within the time frame, gradually diversify its order book position, improve its profitability, receive payments in a timely manner from government departments and maintain a comfortable capital structure are the key rating sensitivities.

Detailed description of the key rating drivers

Key rating strengths

Healthy growth in the operating income with moderate profitability margins

The total income of the company has improved significantly during FY16 i.e. from Rs.72.40 crore in FY15 to Rs.110.58 crore in FY16 on account of execution of projects. During H1FY17, the company has reported a total operating income of Rs.93.72 crore and PAT of Rs.4.96 crore. The PBILDT margin of the company remained moderate at 11.81% in FY16 although deteriorated by 184 bps from 13.65% in FY15. Furthermore, the PAT margin of the company also has remained moderate at 6.07% in FY16 (6.18% in FY15).

Comfortable capital structure with healthy debt coverage indicators

The overall gearing of the company is comfortable and below unity as on March 31, 2016, although deteriorated marginally as on March 31, 2015. The debt coverage indicators of the company have improved and remained healthy during FY16 compared with FY15.

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

Experienced promoters

The Chairman of the company, Mr N Siva Prakash Reddy, has over 20 years of experience in the construction industry. The top management is guided and assisted by experienced team of professionals with considerable experience in the construction industry.

Healthy order book giving visibility to sales in the medium term though exposed to geographical/project concentration risks

The company has a moderate order book position as on September 30, 2016, and is exposed to geographical/project concentration risk with major work orders from Andhra Pradesh. The satisfactory order book position provides visibility of revenues in short term to medium term, however, the same bears the risk with all the orders from only from road sector.

Key rating weakness

Elongated working capital cycle

The operating cycle of the company deteriorated in FY16 compared with FY15 on account of increase in the collection period. The increase in the collection period of NSPR is on account of delay in the receipt from its group SPV (NSPR KP), for which NSPR is the EPC contractor.

Tender-based revenue operations in intensely competitive civil construction industry

NSPR receives all of its work orders from government departments constituting 100% of its order book position. All these are tender-based and the revenues are dependent on the company's ability to bid successfully for these tenders.

Analytical Approach: Standalone

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

NSPR Constructions (India) Private Limited [NSPR] started operations in 1990 as a proprietorship concern promoted by the present chairman of the company, Mr N Shiva Prakash Reddy. NSPR was converted into partnership firm in 2004 and undertook road contract works. From a modest beginning in 2004, the firm grew in size and the firm was converted into a private limited company in the year 2009. NSPR undertakes construction of roads and bridges for the Government of Andhra Pradesh (AP), Madhya Pradesh and Chhattisgarh.

NSPR has undertaken four build-operate-transfer (annuity) projects under four special-purpose vehicles (SPVs) namely NSP Variegate PP Road Projects Private Limited (NSP-PP), NSP BVSR KP Road Projects Private Limited (NSP BVSR), NSP Variegate RG Road Projects Private Limited (NSP RG), NSPR KP Road Projects Private Limited (NSP KP), which have concession agreements with Andhra Pradesh Road Development Corporation (APRDC). All the road projects stated above are operational.

The total income of the company has improved significantly during FY16 i.e. from Rs.72.40 crore in FY15 to Rs.110.58 crore in FY16. During H1FY17, the company has reported a total operating income of Rs.93.72 crore and PAT of Rs.4.96 crore.

Status of non-cooperation with previous CRA: NA

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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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	-	-	-	8.50	CARE BBB; Stable
Non-fund-based –LT/ST-BG	-	-	-	41.50	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 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT-Working Capital Limits	LT	8.50	CARE BBB	CARE BBB (17-Feb-17)	1)CARE BBB- (13-Nov-15)	1)CARE BBB- (14-Jul-14)	-
2.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	41.50	CARE BBB / CARE A3+	CARE BBB/CARE A3+ (17-Feb-17)	1)CARE BBB- / CARE A3 (13-Nov-15)	1)CARE BBB- / CARE A3 (14-Jul-14)	-

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