NSPR Constructions India Private Limited

June 16, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating1	Rating Action
Long term Bank Facilities	8.50	CARE BBB-; Stable; ISSUER NOT COOPERATING* (Triple B Minus; Outlook: Stable; ISSUER NOT COOPERATING*)	Issuer Not Cooperating; Revised from CARE BBB; Stable; ISSUER NOT COOPERATING*(Triple B; Outlook: Stable; ISSUER NOT COOPERATING* on the basis of best available information
Long term/Short term Bank Facilities	41.50	CARE BBB-;Stable/ CARE A3; ISSUER NOT COOPERATING* (Triple B Minus; Outlook: Stable/ A Three; ISSUER NOT COOPERATING*)	Issuer Not Cooperating; Revised from CARE BBB; Stable/ CARE A3+; ISSUER NOT COOPERATING*(Triple B; Outlook: Stable/ A Three Plus; ISSUER NOT COOPERATING* on the basis of best available information
Total Facilities	50.00 (Rs. Fifty crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated April 01, 2019 placed the ratings of NSPR Constructions (India) Private Limited (NSPR) under the 'issuer non-cooperating' category as NSPR had failed to provide information for monitoring of the rating. NSPR continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and emails dated June 01, 2020, June 02, 2020 and June 04, 2020. In line with the extant SEBI guidelines, CARE has reviewed the ratings on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings).

The ratings have been revised by taking into account non-availability of requisite information due to non-cooperation by NSPR and 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 on April 01, 2019 the following were the rating strengths and weaknesses

Detailed description of the key rating drivers

Key Rating Strengths

Considerable experience of promoters in execution of road projects

The chairman of the company, Mr. N Siva Prakash Reddy, has over 15 years of experience in the roads sector. NSPR undertook BOT road projects under five SPVs with concession agreements issued by APRDC and executed projects as Engineering, Procurement and Construction (EPC) contractor in these road projects. The top management is guided and assisted by experienced team of professionals with considerable experience in construction industry.

Healthy growth in operating income

The total operating income of the company increased by 21.60% from Rs. 226.80 crore during FY18 to Rs. 275.78 crore during FY19 on account of execution of orders.

Comfortable capital structure with healthy debt coverage indicators

The overall gearing of the company deteriorated marginally to 0.57x as on March 31, 2019 (0.44x as on March 31, 2018) on account of increase in total debt level. Further, the total debt to GCA ratio remained stable at 3.55x during FY19. The PBILDT interest coverage ratio of the company has improved to 7.09x during FY19 (6.24x during FY18).

Elongated operating cycle

The operating cycle of the company remains elongated at 69 days during FY19 (72 days during FY18) due to elongated average collection period. The average collection period remains elongated at 81 days during FY19 (82 days during FY19)

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

Key Rating Weaknesses

Moderate profitability margins

The PBILDT margin of the company improved by 27 bps from 7.45% during FY18 to 7.72% during FY19. The PAT margin deteriorated by 27 bps from 3.87% during FY18 to 3.60% during FY19.

Exposure to volatility in input prices

Concrete, Bitumen, steel, diesel and cement are the major inputs for any construction entity, the prices of which are volatile. Thus, the profitability is exposed to fluctuation in input prices given the fixed price nature of contracts executed by NSPR.

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. Profitability margins depend on the competitive nature of the industry and it is under pressure.

Analytical approach: Standalone

Applicable Criteria

Policy in respect of Non-cooperation by issuer
Criteria on assigning Rating Outlook
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Financial ratios – Non-Financial Sector
Rating Methodology- Infrastructure Sector

About the Company

NSPR Constructions (India) Private Limited [NSPR] started its operations in 1995 as a proprietorship concern promoted by the present chairman of the company, Mr. N Shiva Prakash Reddy. NSPR was converted into partnership firm in 2005 and undertook road contract works. From a modest turnover in 2005, the firm grew in size and the firm was eventually incorporated as a private limited company in the year 2009. NSPR undertakes construction of roads and bridges for the Governments of Andhra Pradesh (AP), Madhya Pradesh and Chhattisgarh. NSPR has undertaken five build-operate-transfer (annuity) projects under four special-purpose vehicles (SPVs) namely NSP Variegate PP Road Projects Private Limited, NSP BVSR KP Road Projects Private Limited, NSP Variegate RG Road Projects Private Limited, NSPR KP Road Projects Private Limited ,NSPR KP Two Road Projects Private Limited which have concession agreements with Andhra Pradesh Road Development Corporation (APRDC). All the road projects stated above are annuity based and are operational.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	226.80	275.78
PBILDT	16.89	21.28
PAT	8.77	9.93
Overall gearing (times)	0.44	0.57
Interest coverage (times)	6.24	7.09

A: Audited

Status of non-cooperation with previous CRA: Not Available

Any other information: Not Available

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

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-Working Capital Limits	-	-	-	8.50	CARE BBB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Non-fund-based - LT/ ST-Bank Guarantees	-	-	-	41.50	CARE BBB-; Stable / CARE A3; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB; Stable / CARE A3+; ISSUER NOT COOPERATING* on the basis of best available information

**Issuer did not cooperate; Based on best available information*

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Working Capital Limits	LT	8.50	CARE BBB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BBB; Stable; ISSUER NOT COOPERATING* (01-Apr-19)	-	1)CARE BBB; Stable (05-Mar-18)
2.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	41.50	CARE BBB-; Stable / CARE A3; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB; Stable / CARE A3+; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BBB; Stable / CARE A3+; ISSUER NOT COOPERATING* (01-Apr-19)	-	1)CARE BBB; Stable / CARE A3+ (05-Mar-18)

**Issuer did not cooperate; Based on best available information*

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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