

## Navkar Builders Limited

March 11, 2019

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remark
Long Term Bank Facilities	13.00	<b>CARE BB-; Stable; ISSUER NOT COOPERATING*</b> (Double B Minus; Outlook: Stable; ISSUER NOT COOPERATING)	Issuer not cooperating; On the basis of best available information
Short Term Bank Facilities	12.00	<b>CARE A4; ISSUER NOT COOPERATING*</b> (A Four; ISSUER NOT COOPERATING)	Issuer not cooperating; On the basis of best available information
<b>Total facilities</b>	<b>25.00</b> <b>(Rupees Twenty Five Crore Only)</b>		

*Details of facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Navkar Builders Limited (NBL) to monitor the ratings vide e-mail communications/ letters dated September 12, 2018, October 25, 2018, November 02, 2018, January 04, 2019, February 01, 2019 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. 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. The ratings on NBL's bank facilities will 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 ratings.**

The ratings assigned to the bank facilities of Navkar Builders Limited (NBL) continue to remain constrained on account of financial risk profile marked by moderate profitability, moderate debt coverage indicators and stretched liquidity position with elongated working capital cycle. Further, the ratings, continue to remain constrained on account of geographical concentration risk and presence in highly fragmented and competitive industry with exposure to tender driven process. However, the ratings, continue to derive strength from experienced promoters coupled with established business operations, moderate scale of operations and comfortable capital structure.

### Detailed description of the key rating drivers

At the time of last rating on December 28, 2017, 2018 the following were the rating strengths and weaknesses (updated for details available from publically available information).

### Detailed description of the key rating drivers

#### Key rating Weaknesses

#### Moderate profitability and debt coverage indicators

During FY18, the PBILDIT remained moderate at Rs.4.64 crore (7.97%) as compared to Rs.3.90 crore (9.28%) during FY17. PAT margin remained thin at 0.92% during FY18 as against 0.90% during FY17. Debt coverage indicators of NBL remained moderate marked by total debt to Gross Cash Accruals (TDGCA) of 12.01 times as on March 31, 2018 as against 9.51 times as on March 31, 2017, while interest coverage ratio remained moderate at 2.40 times during FY18.

#### Stretched liquidity position with elongated working capital cycle

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

\*Issuer did not co-operate; based on best available information

Liquidity position of NBL remained stretched marked by current ratio of 1.27 times as on March 31, 2018 as against 1.21 times as on March 31, 2017. Working capital cycle remained elongated at 114 days during FY18 as against 212 days during FY17. Cash and bank balance as on March 31, 2018 remained at 1.38 crore, whereas cash flow from operations remained low at 0.83 crore as on March, 2018.

#### **Geographical concentration risk and presence in highly fragmented and competitive industry with exposure to tender driven process**

NBL has executed projects in the state of Gujarat only. Hence, any unforeseen event and changes in state government policies may have a huge impact on the profitability of NBL, thus increasing its vulnerability to geographical risk. The industry in which NBL operates is highly fragmented and intensely competitive due to presence of many small, mid and large-sized players working at regional level. Highly competitive operating spectrum exerted pressure on profit margins of the participants. Moreover, the orders are generally tender-driven and floated by various government departments indicating a risk of non-receipt of contract.

#### **Key rating strengths**

##### **Experienced promoters and established business operations**

NBL operates into manufacturing of RCC Hume pipes and Ready Mix Concrete. The key promoters Mr. Samir Patel, Mr. Dashesh Shah are well qualified. Promoters hold more than 2 decades of experience in the construction material manufacturing industry and look after overall day to day operations of the entity jointly. Overall, operations of the entity are supported by other qualified professionals as well.

##### **Moderate scale of operation and comfortable capital structure**

During FY18, TOI of NBL remained moderate at Rs. 58.21 crore from Rs.41.98 crore in FY17. The capital structure of NBL remained comfortable marked by an overall gearing of 0.25 times as on March 31, 2018 as against 0.45 times as on March 31, 2017.

**Analytical Approach:** Standalone

#### **Applicable Criteria**

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

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology-Manufacturing Companies](#)

[Rating Methodologies: Short Term Instruments](#)

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

#### **About the Company**

Ahmedabad (Gujarat) based NBL, incorporated in June 1992 and is promoted by Shah Family. The company is primarily engaged in the manufacturing of Reinforced Cement Concrete (RCC) Vertical Hume Pipe with production capacity of manufacturing moulds (ranging from 300 mm to 1400 mm) and ready mix concrete (RMC). NBL is a registered 'AA class' contractor with Government of Gujarat (GoG). The company executes the orders for the different departments of GoG and other private players. NBL operates from its manufacturing facilities located at Kheda.

<b>Brief Financials (Rs. crore)</b>	<b>FY17 (A)</b>	<b>FY18 (A)</b>
Total operating income	41.99	58.21
PBILDT	3.90	4.64
PAT	0.38	0.54
Overall gearing (times)	0.45	0.25
Interest coverage (times)	1.74	2.40

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History (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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over nearly 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 corporate 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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CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. 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	-	-	-	13.00	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	11.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Letter of credit	-	-	-	1.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

\*Issuer did not co-operate; 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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	4.67	Suspended	-	-	-	1)Suspended (23-Mar-16) 2)CARE BB+ (09-Apr-15)
2.	Fund-based - LT-Cash Credit	LT	13.00	Suspended	-	-	-	1)Suspended (23-Mar-16) 2)CARE BB+ (09-Apr-15)
3.	Non-fund-based - ST-Letter of credit	ST	1.00	Suspended	-	-	-	1)Suspended (23-Mar-16) 2)CARE A4 (09-Apr-15)
4.	Non-fund-based - ST-Bank Guarantees	ST	11.00	Suspended	-	-	-	1)Suspended (23-Mar-16) 2)CARE A4 (09-Apr-15)
5.	Fund-based - LT-Buyers Credit	LT	-	-	-	-	-	1)Withdrawn (09-Apr-15)
6.	Fund-based - LT-Cash Credit	LT	13.00	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE BB-; Stable (28-Dec-17) 2)CARE BB-; Stable (15-Dec-17)	-	-
7.	Non-fund-based - ST-Bank Guarantees	ST	11.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A4 (28-Dec-17) 2)CARE A4 (15-Dec-17)	-	-
8.	Non-fund-based - ST-Letter of credit	ST	1.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A4 (28-Dec-17) 2)CARE A4 (15-Dec-17)	-	-

\*Issuer did not co-operate; based on best available information

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