

Navkar Builders Limited

August 11, 2020

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank facilities	8.50	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable; ISSUER NOT COOPERATING)	Issuer not cooperating; Revised from CARE BB+; Stable; ISSUER NOT COOPERATING*(Double B Plus; Outlook: Stable; ISSUER NOT COOPERATING); on the basis of best available information
Short Term Bank facilities	14.00	CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING)	Issuer not cooperating; Revised from CARE A4+; ISSUER NOT COOPERATING*(A Four Plus; ISSUER NOT COOPERATING); on the basis of best available information
Total Facilities	22.50 (Rupees Twenty Two crore and Fifty lakh only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated March 27, 2020 placed the ratings of Navkar Builders Limited (NBL) under the 'issuer non-cooperating' category as NBL had failed to provide information for monitoring of the ratings as agreed to in its Rating Agreement. 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 revision in ratings assigned to the bank facilities of NBL takes into account significant decline in scale of operations with moderate profitability and debt coverage indicators during FY20 (FY; refers to the period April 01 to March 31). The ratings further remained constraint due to its presence in highly fragmented and competitive construction industry with inherent risk due to tender driven nature of business.

The ratings, however, continue to derive strength from experienced promoters with established business operations and comfortable capital structure.

Detailed description of the key rating drivers

At the time of last rating on March 27, 2020 the following were the rating strengths and weaknesses: (Updated from publically available information)

Key Rating Weaknesses

Significant decline in scale of operations and moderate profitability

NBL's Total Operating Income (TOI) declined significantly by ~71% on y-o-y basis to Rs.45.85 crore in FY20 (Rs.155.62 crore in FY19). PBILDT margin remained moderate at 7.8% in FY20 (6.64% in FY19).

Moderate debt coverage indicators

Debt coverage indicators deteriorated and remained moderate in FY20 as marked by interest coverage ratio of 2.03 times (6.48 times in FY19) and total debt to gross cash accruals of 9.50 years (P.Y.: 1.58 years) mainly on account of low cash accruals in FY20.

Presence in highly fragmented and competitive construction industry

The industry in which NBL operates is highly fragmented and competitive in nature due to presence of many small, mid and large-sized players working at regional as well as national level. Highly competitive operating spectrum exerts pressure on profit margins of the participants.

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

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

Inherent risk due to tender driven nature of business

NBL works on various types of tenders such as contracts on drainage work, horizontal drillings, cable line work etc. The company mostly executes the tenders for Gujarat Government and Madhya Pradesh Government. This parameter emerges as an inherent risk to the business as Government issues tenders as per their requirement and this might not provide assurance for continuous flow of work.

Key Rating Strengths

Experienced promoters and established business operations

NBL primarily focuses on participating in Government tenders for executing drainage work, horizontal drilling, cable line work etc. NBL is also engaged into manufacturing of Reinforced Cement Concrete (RCC) Hume pipes and Ready Mix Concrete (RMC) as per market scenario. The Managing Director of NBL, Mr. Harsh Shah, is well qualified holds vast experience in the civil construction industry, looks after overall day to day operations of the entity. Overall, operations of the entity are supported by other qualified professionals as well.

Comfortable capital structure

Capital structure of the company as marked by overall gearing continued to remain comfortable to 0.30 times as on March 31, 2020 (0.24 times as on March 31, 2019).

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 - Construction](#)

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

[Criteria for Short Term Instruments](#)

About the Company

Ahmedabad (Gujarat) based Navkar Builders Limited (NBL), incorporated in June 1992, promoted by Shah Family. NBL is a registered 'AA class' contractor with Government of Gujarat (G-o-G). The company executes the orders for the different departments of G-o-G and other private players. The company is also 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) and operates from its manufacturing facilities located at Kheda, Gujarat.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	155.62	45.85
PBILDT	10.34	3.66
PAT	5.56	0.39
Overall gearing (times)	0.24	0.30
Interest coverage (times)	6.48	2.03

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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-Cash Credit	-	-	-	8.50	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	14.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A4+; ISSUER NOT COOPERATING* on the basis of best available information

*Issuer did not co-operated; 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-Cash Credit	LT	8.50	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (27-Mar-20) 2)CARE BB+; Stable (14-Jun-19)	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (11-Mar-19)	1)CARE BB-; Stable (28-Dec-17) 2)CARE BB-; Stable (15-Dec-17)
2.	Non-fund-based - ST-Bank Guarantees	ST	14.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A4+; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE A4+; ISSUER NOT COOPERATING* (27-Mar-20) 2)CARE A4+ (14-Jun-19)	1)CARE A4; ISSUER NOT COOPERATING* (11-Mar-19)	1)CARE A4 (28-Dec-17) 2)CARE A4 (15-Dec-17)
3.	Non-fund-based - ST-Letter of credit	ST	-	-	-	1)Withdrawn (14-Jun-19)	1)CARE A4; ISSUER NOT COOPERATING* (11-Mar-19)	1)CARE A4 (28-Dec-17) 2)CARE A4 (15-Dec-17)

*Issuer did not co-operated; Based on best available information

Annexure-3: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - ST-Bank Guarantees	Simple

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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