

Navkar Builders Limited

March 27, 2020

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank facilities	8.50	CARE BB+; Stable ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING)	Issuer not cooperating; Based on best available information
Short Term Bank facilities	14.00	CARE A4+ ISSUER NOT COOPERATING* (A Four Plus ISSUER NOT COOPERATING)	Issuer not cooperating; Based on 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 has been seeking information from Navkar Builders Limited (NBL) to monitor the ratings vide e-mail communications/ letters dated February 28, 2020, March 06, 2020, March 13, 2020, March 14, 2020, March 16, 2020 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 NBL take in to account 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 comfort from NBL's healthy scale of operations, moderate profitability, comfortable capital structure and debt coverage indicators during FY19 (refers to the period April 01 to March 31). The ratings, further, continue to derive comfort from experienced promoters and established business operations.

Detailed description of the key rating drivers

At the time of last rating on June 14, 2019 the following were the rating strengths and weaknesses (Updated for the information from publically available information)

Detailed description of key rating drivers

Key Rating Weaknesses

Presence in highly fragmented and competitive construction industry with exposure to tender driven process

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.

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.

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

Key Rating Strengths

Healthy scale of operations and moderate profitability

During FY19, the scale of operations as marked by Total Operating Income (TOI) of NBL grew significantly by 167.35% y-o-y to Rs.155.62 crore as against Rs.58.21 crore in FY18. Commensurate with an increase in scale of operations, PBILDT also increased by 123% y-o-y during FY19 and remained at Rs.10.34 crore, however, PBILDT margin declined by 133 bps y-o-y and remained moderate at 6.64% during FY19 as against 7.97% during FY18. Despite a decrease in PBILDT margin, PAT margin improved by 265 bps y-o-y and remained at 3.57% as against 0.92% during FY18.

Comfortable capital structure and debt coverage indicators

Capital structure marked by overall gearing continued to remain comfortable to 0.24 times as on March 31, 2019 compared to 0.25 times as on March 31, 2018. Debt coverage indicators improved significantly and remained comfortable as marked by total debt to Gross Cash Accruals (TDGCA) of 1.58 years as on March 31, 2019 as compared 12.01 years as on March 31, 2018. The interest coverage ratio also improved and remained comfortable at 6.48 times during FY19 (2.40 times during FY18).

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 key promoter Mr. Dakshesh Shah is well qualified who holds more than 2 decades of experience in the construction material manufacturing industry and 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.

Analytical Approach: Standalone

Applicable Criteria

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

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

[CARE's default recognition policy](#)

[Financial ratios - Non Financial Sector](#)

[Criteria for Short Term Instruments](#)

About the Company

Ahmedabad- based (Gujarat) NBL, incorporated in June 1992, is promoted by Shah Family. NBL is a registered 'AA class' contractor with Government of Gujarat (GoG). The company executes contracts pertaining to drainage work, horizontal drilling, cable line work etc. for the different state governments mainly Gujarat and Madhya Pradesh 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)	FY18 (A)	FY19 (A)
Total operating income	58.21	155.62
PBILDT	4.64	10.34
PAT	0.54	5.56
Overall gearing (times)	0.25	0.24
Interest coverage (times)	2.40	6.48

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; Based on best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	14.00	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	8.50	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)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; Based on best available information	1)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 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.

Contact us

Media Contact

Name: Mr. Mradul Mishra
Contact no.: +91-22-6837 4424
Email ID: mradul.mishra@careratings.com

Analyst Contact

Name: Ms. Shreedha Shah
Contact no.: 079-40265636
Email ID: shreedha.shah@careratings.com

Business Development Contact

Name: Mr. Deepak Prajapati
Contact no.: 079-40265656
Email ID: deepak.prajapati@careratings.com

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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