



# Infomerics Valuation And Rating Pvt. Ltd.

Press Release

## NRP Projects Private Limited

January 10, 2020

### Ratings

Instrument/Facility	Amount (Rs. Crore)	Ratings Assigned
Long Term Bank Facilities	45.00	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)
Short Term Bank Facilities	95.00	IVR A3+ (IVR A Three Plus)
<b>Total</b>	<b>140.00</b>	

Details of Facilities are in Annexure 1

### Detailed Rationale

The ratings assigned to the bank facilities of NRP Projects Private Limited (NRPPPL) derives comfort from extensive experience of the promoters, demonstrated track record with proven project execution capability and reputed clientele with healthy order book position. The ratings also positively factors in its healthy debt protection metrics and satisfactory financial performance. However, the rating strengths are partially offset by its tender driven nature of business, susceptibility of operating margin to volatile input prices, intense competition in the operating spectrum and elongated receivable period leading to working capital intensive nature of operations.

### Key Rating Sensitivities:

#### Upward Factor:

- Sustenance of growth in scale of operations with improvement in profitability
- Sustenance of the capital structure
- Improvement in cash conversion cycle

#### Downward factor:

- Any deterioration in liquidity profile
- Moderation in the capital structure with deterioration in overall gearing to more than 1x
- Further stretch in operating cycle

### List of Key Rating Drivers with Detailed Description



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### **Key Rating Strengths**

#### **Extensive experience of the promoters**

The promoters have extensive experience, spanning more than five decades, in the EPC segment with major focus in provides integrated design, detailed engineering, procurement, and construction and project management services for oil and gas industry. On the back of long presence of the promoters have developed good relationship with customers and suppliers.

#### **Demonstrated track record with proven project execution capability**

NRPPL has a long track record of more than three decades in EPC segment. Over the years of its operation the company has gradually established its credentials and successfully executed many projects. The repeat orders received from its clientele validate its construction capabilities

#### **Reputed clientele albeit customer concentration**

The company mainly caters to public sector companies in oil & gas industry and gets business through tender bidding. Its clientele includes wide base of public sector undertakings. However, top four customers cater to more than 90% of its total operating income in FY19, indicating a concentrated customer profile. Though customers being reputed government companies impart comfort with low counterparty risk

#### **Healthy order book position indicating a short to medium term revenue visibility**

The company has outstanding order book of Rs.687.32 crore as on November 01, 2019 (~3.3x of its FY19 total operating revenue) which is to be executed over next 2-3 years, indicating satisfactory near to medium-term revenue visibility. Also company has received L1 status for orders aggregating to Rs.166.70 crore for pipeline work of Indian Oil Corporation Limited.

#### **Sustained growth in scale of operation with satisfactory financial performance**

With increase in its total operating income, absolute EBIDTA of the company increased substantially in FY19. The EBITDA margin of the company improved from 11.26% in FY18 to 12.49% in FY19 driven by execution of relatively high margin projects. With improvement in absolute EBITDA, the PAT margin of the company also improved from 2.53% in FY18 to 4.83%



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in FY19. Further, the company has witnessed a gradual improvement in its cash accruals from Rs.4.33 crore in FY17 to Rs.11.92 crore in FY19. The company has achieved sales of Rs.133.47 crore till October 31, 2019.

### **Gradual improvement in the capital structure with healthy debt protection metrics**

The capital structure of the company witnessed a gradual improvement over the past three account closing dates driven by sustained accretion of profit to net worth and scheduled repayment of term debts. The net worth stood satisfactory at of Rs.96.38 crore as on March 31, 2019 as against Rs.52.78 crore in the previous year. To arrive at the net worth, Infomerics has considered Rs.51.23 crore (Rs.33.54 crore infused in FY19) of unsecured loans infused by the promoters as quasi equity as the same is subordinated to the bank facilities. Consequently, the overall gearing ratio improved from 1.13x as on March 31, 2017 and remained comfortable at 0.45x as on March 31, 2019. Steady cash accruals and gradual decline in total debt level led to overall improvement in debt metrics over the past three years. Accordingly, the Total debt to GCA and interest coverage improved from 11.71 years and 1.49x respectively in FY17 to 3.64x and 2.63x respectively in FY19. Total indebtedness of the company as reflected by TOL/ANW also remained satisfactory at 0.91x as on March 31, 2019.

### **Key Rating Weaknesses**

#### **Tender driven nature of business and competitive industry**

The company is mostly getting its orders through tenders floated by various oil and gas PSU's. As the infrastructure industry is highly fragmented due to presence of many organised and unorganised players tender driven nature of business leads to volatility in revenue and profitability. Further, being in infrastructure segment the company is exposed to inherent risks associated in this industry like slowdown in new order inflows, risks of delays in execution, liquidated damages (LD) charges etc.



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### **Susceptibility of operating margin to volatile input prices**

The Company's operating margins are susceptible to volatility in prices of raw materials, although the same risk has been mitigated to some extent with the presence of price escalation clause.

### **Intense competition**

The domestic infrastructure/construction sector is competitive due to presence of many established domestic players and various international players with varied statures & capabilities.

### **Elongated receivable period leading to working capital intensive nature of operations**

NRPPL's operations are working capital intensive marked by its elongated receivable period. Further, a large part of working capital also remained blocked in earnest money deposits, retention money and GST receivables from the government. Average receivable days were high at 142 days as on March 31, 2019 and increased from 103 days as on March 31, 2018. The receivables period of the company remained elongated mainly due to higher execution of orders in the second half of the year (~57% of revenue booked in last two quarters in FY19).

### **Analytical Approach: Standalone**

#### **Applicable Criteria:**

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

#### **Liquidity - Adequate**

The company has adequate liquidity marked by its expected sufficient cushion in accruals (Rs.15.66 crore in FY20) vis-à-vis its repayment obligations (Rs.0.66 crore in FY20). The company has sufficient gearing headroom due to its comfortable capital structure. Moreover, the company has no debt avilment plan in the near term which imparts further comfort. The average utilization of its fund based limits during the twelve months ended October 2019 remained at ~80%



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indicating a decent liquidity buffer. The company has free cash and cash equivalents aggregating to ~Rs.2.90 crore as on November 30, 2019.

### About the Company

Established as N.R Patel & Company at Bengaluru in 1964 by one Patel family, NRP Projects Private Limited (constitution changed in 2010) is engaged in Engineering, Procurement and Construction (EPC) services mainly for Oil and Gas industry. The company is specialised in execution of turnkey projects involving cross-country pipelines, Unit/Terminal/Refinery Mechanical Works, Civil Construction, Product Tankages, Fire Fighting facilities etc. Currently, the company has its headquarter in Chennai (shifted from Bengaluru in 1981) and is managed by second generation entrepreneurs, Mr. Jayantibhai R. Patel, Mr. Sailesh N. Patel, Mr. Hitesh J. Patel and Mr. Dushyant J. Patel.

### Financials:

For the year ended*	(Rs. crore)	
	31-03-2018	31-03-2019
	Audited	Audited
Total Operating Income	157.92	209.87
EBITDA	17.78	26.21
PAT	4.00	10.16
Total Debt	49.50	43.37
Tangible Net worth	35.09	45.15
Adjusted Tangible Net worth^	52.78	96.38
EBITDA Margin (%)	11.26	12.49
PAT Margin (%)	2.53	4.83
Overall Gearing Ratio (x)	0.94	0.45

\*Classification as per Infomerics' standards ^includes unsecured loans subordinated to bank facilities

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil



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### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years					
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17			
1.	Long Term Fund Based Limits – SOD (BD)*	Long Term	45.00	IVR BBB/Stable	-	-	-			
2.	Short Term Fund Based Limits – BG**	Short Term	95.00	IVR A3+	-	-	-			

\*One way Interchangeability from SOD (BD) limit (FB) to performance BG limit (NFB) at the existing level of Rs.15.00 Cr \*\* includes Inland Import LC of INR 6.00 Cr and Foreign LG of INR 10.00 Cr

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- SOD (BD)*	-	-	-	45.00	IVR BBB/Stable
Short Term Bank Facilities – BG**	-	-	-	95.00	IVR A3+

*\*One way Interchangeability from SOD (BD) limit (FB) to performance BG limit (NFB) at the existing level of Rs.15.00 Cr \*\* includes Inland Import LC of INR 6.00 Cr and Foreign LG of INR 10.00 Cr*