



Press Release

Nand Infrastructure & Projects

March 10, 2021

Ratings

Sl. No	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1	Long Term/Short Term Bank Facilities	2.00	IVR BBB-/IVR A3 Under credit watch with developing implications (IVR Triple B Minus/IVR A Three under Credit watch with developing implications)	Assigned
2	Short Term Bank Facilities	78.00 (including Proposed Limit of Rs. 21.55 cr)	IVR A3 Under credit Watch with developing implications (IVR A Three under credit watch with developing implications)	Assigned
	Total	80.00 (Rupees Eighty Crore only)		

Details of Facilities are in Annexure 1.

Detailed Rationale

The ratings assigned to the bank facilities of Nand Infrastructures and Projects (NIP) derives strength from extensive experience of its promoters, proven order execution capabilities and reputed clientele. The ratings also note its comfortable capital structure with satisfactory debt protection metrics, healthy order book position indicating a satisfactory near to medium term revenue visibility and prudent working capital management. However, these rating strengths are constrained by modest scale of its operations, exposure to geographical concentration risk, susceptibility of profitability to volatile input prices, intense competition and constitution as a partnership concern. The ratings remain under credit watch with developing implications owing to uncertainty in the operating scenario amidst Covid-19 pandemic and Infomerics will continue to monitor the developments in this regard and will take a view on the ratings once the exact implications of the above on the credit risk profile of the company are clear.

Rating Sensitivities:

Upward Factors:



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- Substantial and sustained growth in operating income and improvement in profitability.
- Improvements in the order book position of the firm.
- Sustenance of the capital structure with improvement in debt protection metrics.

Downward factors:

- Substantial deterioration in operating income and/or profitability of the firm impacting its debt protection parameters.
- Withdrawal of subordinated unsecured loans aggregating to Rs.4.08 crore and/or moderation in the capital structure with moderation in overall gearing to over 1.5x
- Any deterioration in liquidity profile on a sustained basis.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced & long track record of partners in infrastructure sector**

The partners of the firm are highly experienced having knowledge and experience of the business over two decades and are well supported by a team of experienced professionals. The firm has an established proven track record of over a decade in executing projects in construction industry which has helped them in establishing good relationship with its customers and suppliers.

- **Proven order execution capabilities and reputed clientele**

The firm has a proven order execution capability and have completed projects aggregating to about Rs.500 crore in the past over a span of 15 years of its operations. The firm mainly executes orders for the Gujarat government bodies hence has a low counterparty risk.

- **Healthy order book reflecting satisfactory revenue visibility in the near to medium term**

The firm has a healthy unexecuted order book position of more than Rs.300.00 Crore as on December 2020 to be executed in a period of next two to three years. The outstanding order book position is almost 4.35 times of TOI for FY20 indicating revenue visibility over the near to medium term.

- **Comfortable capital structure with satisfactory debt protection metrics**



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The firm has comfortable capital structure over the past three account closing dates with almost nil long-term debt and minimal use of its working capital limits. However, the promoters have infused unsecured loans in the business aggregating to Rs.4.08 crore (outstanding as on March 31,2020) which are subordinated to the bank facilities and treated as quasi equity. Out of these Rs.4.08 crore, about Rs.1.40 crore was infused during FY20. With a comfortable capital structure marked by the overall gearing ratio of 0.02x and TOL/ATNW (including quasi equity) at 1.19x respectively as on March 31,2020, the debt protection metrics of the firm also remained satisfactory. The interest coverage ratio and Total debt to EBITDA remained satisfactory at 2.63x and 0.12x respectively as on March 31,2020.

- **Prudent working capital management**

Construction business, by its nature, is working capital intensive as a large part of working capital remained blocked in earnest money deposits, margin required for issuance of bank guarantees and retention money on a continuous basis. However, the firm has managed its working capital requirements well as indicated by low average month end utilisation in its working capital bank limits of ~24% in the past 12 months ended on December, 2020.

Key Rating Weaknesses

- **Modest scale operations and geographical concentration risk**

The total operating income (TOI) of the firm witnessed an erratic trend over the past three fiscals. During FY19, TOI has witnessed a sharp growth, mainly due to fast execution of one of the project (Ranavav project awarded by Gujarat Water Infrastructure Limited) due to high scarcity of water in the allotted project area and under direction of the joint Secretary of Gujarat Water and Sewage Board within four months instead of normal time lag of 18-24 months. The total project size was ~Rs.90 Cr and the same was entirely completed in FY19. However, TOI of the firm has declined from Rs.156.38 crore in FY19 to Rs.68.83 crore in FY20 i.e., a decline of ~56% in FY20 due to smaller number of contracts executed in FY20 owing to non-availability of right of way in certain projects coupled with scarcity of required materials for water inter infrastructure projects. However, recently the firm got required approvals and clear right of way of those projects and all those projects are running as per schedule in 9MFY21. Hence during 9MFY21, the firm has achieved a revenue of ~Rs.61 crore. Infomerics expects further growth in its scale of



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operations going forward. However, the has exposure to high geographical concentration risk as it executes its projects in the state of Gujrat.

- **Susceptibility of profitability to volatile input prices**

Major raw materials used in civil/railway construction activities are steel and cement which are usually sourced from large players at proximate distances. Historically, the cost of these raw materials and steel products have been volatile in nature and hence, profitability margins of the firm are susceptible to fluctuation in raw material prices and/or finished products.

- **Presence in a highly competitive industry and tender driven nature of the business**

The domestic infrastructure/construction sector is highly crowded with presence of many players with varied statures & capabilities. Boom in the infrastructure sector, a few years back, resulted in increase in the number of players. Moreover, the firm secures its contracts through tender based mechanism. The firm faces the risk of low profitability due to tender based mechanism of awarding contracts are characterized by lower margins due to high competition.

- **Constitution as a partnership concern**

Given the firm's constitution as a partnership firm, it remains exposed to discrete risks, including the possibility of withdrawal of capital by the partners and the risk of dissolution of the firm upon the death, retirement or insolvency of partners.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

The liquidity position of the firm is expected to remain adequate marked by its adequate gross cash accruals in the range of Rs.5-10 crore during FY21-23 as against its insignificant debt repayment obligations. The firm has earned a cash accrual of Rs.2.34 crore in FY20. Further, driven by its conservative capital structure the firm has adequate gearing headroom. The average month end cash credit utilisation of the firm also remained satisfactory at ~24%



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however the firm has been utilising almost 90% of its BG limits over the past 12 months ended December,2020.

About the Firm

Incorporated in 2005 as a partnership concern, Nand Infrastructure & Projects (NIP), is engaged in construction of water treatment plants, providing & laying of sewage pumping stations, construction of building Marketing yard & Shed, providing and laying roads etc. Mr. Devdattisinh N. Gohel, Mr. Ganpatsinh J. Gohil, Mrs. Geetaba N Gohil, Mr. Harpalsinh A Gohil and Mr. Mehulbhai D. Joshi are the partners of the firm. The firm has prominent presence in Gujarat region with reputed clientele of various government and private organization such as, Gujarat Water Supply and Sewage Board, Gujarat Maritime Board, Ahmedabad Municipal Corporation, etc

Financials: Standalone

(Rs. crore)

For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	156.38	68.83
EBITDA	4.49	3.05
PAT	3.46	2.02
Total Debt	0.48	0.38
Tangible Net worth**	16.59	18.90
EBITDA Margin (%)	2.87	4.43
PAT Margin (%)	2.20	2.86
Overall Gearing Ratio (x)**	0.03	0.02

*Classification as per Infomerics' standards.

**Including Quasi Equity

Status of non-cooperation with previous CRA: NIL.

Any other information: NA

Rating History for last three years:

Sr. No	Name of /Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	CC/BG	Long Term/ Short Term	2.00	IVR BBB-/IVR A3	-	-	-



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Sr. No	Name of /Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
				Under credit watch with developing implications			
2.	BG	Short Term	78.00	IVR A3 Under credit watch with developing implications	-	-	-

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.

Name and Contact Details of the Rating Analyst:

Name: Mr. Mayank Sethi	Name: Mr. Avik Podder
Tel: (033) 46022266	Tel: (033) 46022266
Email: mayank.sethi@infomerics.com	Email: apodder@infomerics.com

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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have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

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/Short Term Fund Based Limits- Cash Credit/Bank Guarantee	-	-	-	2.00	IVR BBB-/IVR A3 Under credit watch with developing implications
Long Term Fund Based Limits- Bank Guarantee	-	-	-	78.00	IVR A3 Under credit watch with developing implications