



Press Release

NRP Projects Private Limited

February 03, 2021

Ratings

| Sl. No. | Instrument/Facility | Amount (Rs. Crore) | Current Ratings | Previous Ratings | Rating Action |
|---------|----------------------------|--------------------|--|--|-------------------|
| 1. | Long Term Bank Facilities | 45.00 | IVR BBB/ Stable (IVR Triple B with Stable Outlook) | IVR BBB/ Stable (IVR Triple B with Stable Outlook) | Rating Reaffirmed |
| 2. | Short Term Bank Facilities | 95.00 | IVR A3+ (IVR A Three Plus) | IVR A3+ (IVR A Three Plus) | Rating Reaffirmed |
| | Total | 140.00 | | | |

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 factor 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



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List of Key Rating Drivers with Detailed Description

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. In order to manage the projects in a better way and to grow in a balanced way, the company has a policy to take up short to medium term projects (18-24 months) and handle limited number of projects at a time to ensure timely completion. 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 Unit Customers' such as Indian Oil Corporation Limited., Bharat Petroleum Corporation Limited., Hindustan Petroleum Corporation Limited., GAIL (India) Limited., etc. However, top five customers cater to more than 95% of its total operating income in FY20, 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. 459.59 crore as on December 31, 2020 (~2.25x of its FY20 total operating revenue) which is to be executed over next 2-3 years, indicating satisfactory near to medium-term revenue visibility.



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Sustained growth in scale of operation with satisfactory financial performance

NRPPL's total operating income registered a CAGR of ~25% during FY18-FY20 with a healthy y-o-y growth of ~16% in FY20 driven by increased order inflow and higher execution of orders. With increase in its total operating income the absolute EBITDA of the company increased substantially from Rs.26.21 crore in FY19 to Rs.33.18 crore in FY20. The EBITDA margin of the company has been in the range of 11.26%-13.64% and improved from 12.49% in FY19 to 13.64% in FY20 driven by execution of relatively high margin projects. With improvement in absolute EBITDA, the PAT margin of the company also improved from 4.83% in FY19 to 5.56% in FY20.

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.114.37 crore as on March 31, 2020 as against Rs.96.37 crore in the previous year. Accordingly, the Total debt to GCA and interest coverage have stayed consistent from 10.16 years and 1.85x respectively in FY18 to 6.13x and 1.92x respectively in FY20. Total indebtedness of the company as reflected by TOL/ANW also remained satisfactory at 1.02x as on March 31, 2020.

Key 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.

Susceptibility of operating margin to volatile input prices



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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 147 days as on March 31, 2020 and increased from 142 days as on March 31, 2019. 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) coupled with delayed bill clearance by the government clients on account of procedural delays. Driven by elongated receivable period, operating cycle of the company remained high at 156 days in FY20. To fund its working capital requirements the company is largely dependent upon bank borrowings. However, during FY20, the promoters have infused subordinated unsecured loans to support the business operations. Moreover, the company has a strategy to take up short to medium duration contracts and optimize the execution time to realize the payments faster in order to manage working capital requirements efficiently.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity – Adequate



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The company has adequate liquidity marked by its expected sufficient cushion in accruals (Rs.21.03 crore in FY21) vis-à-vis its repayment obligations (Rs.3.79 crore in FY21). The company has sufficient gearing headroom due to its comfortable capital structure. Moreover, the company has no plans to avail debt in the near term which imparts further comfort. The average utilization of its fund-based limits during the twelve months ended December 2020 remained at ~89% indicating a decent liquidity buffer. The company has free cash and cash equivalents aggregating to ~Rs.4.27 crore as on March 31, 2020.

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 headquarters 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 (Standalone):

| For the year ended* | (Rs. crore) | |
|------------------------------|-------------|------------|
| | 31-03-2019 | 31-03-2020 |
| | Audited | Audited |
| Total Operating Income | 209.87 | 243.19 |
| EBITDA | 26.21 | 33.18 |
| PAT | 10.16 | 13.82 |
| Total Debt | 43.37 | 46.56 |
| Tangible Net worth | 45.15 | 60.66 |
| Adjusted Tangible Net worth^ | 96.38 | 114.37 |
| EBITDA Margin (%) | 12.49 | 13.64 |
| PAT Margin (%) | 4.83 | 5.56 |
| Overall Gearing Ratio (x) | 0.45 | 0.41 |

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

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil



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Rating History for last three years:

| Sr. No. | Name of Instrument/Facilities | Current Rating (Year 2020-21) | | | Rating History for the past 3 years | | |
|---------|---|-------------------------------|--------------------------------|----------------|---|---|---|
| | | Type | Amount outstanding (Rs. Crore) | Rating | 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. | Long Term Fund Based Limits – SOD (BD)* | Long Term | 45.00 | IVR BBB/Stable | IVR BBB/Stable | - | - |
| 2. | Short Term Fund Based Limits – BG** | Short Term | 95.00 | IVR A3+ | 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.

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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

Annexure 2 : facility wise lender details(Hyperlink to be added)

<https://www.infomerics.com/admin/prfiles/Lender-NRP-Projects-Private-Limited-03-Feb-21-.pdf>