



## Press Release

### Nalanda Engicon Private Limited

**October 3, 2024**

#### Ratings

Instrument Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	27.71 (reduced from Rs. 27.81 crore)	IVR BBB+/ Stable (IVR triple B plus with Stable outlook) withdrawn	IVR BBB/ Negative ISSUER NOT COOPERATING* (IVR triple B with Negative Outlook Issuer Not Cooperating)	Rating upgraded; long term rating outlook revised; removed from Issuer Not Cooperating category and withdrawn	Simple
Short Term Bank Facilities	172.29 (reduced from Rs. 222.19 crore)	IVR A2 (IVR A two) withdrawn	IVR A3+ ISSUER NOT COOPERATING* (IVR A three plus Issuer Not Cooperating)	Rating upgraded; removed from Issuer Not Cooperating category and withdrawn	Simple
Total	200.00 (Rupees two hundred crore only)				

*\*Issuer did not cooperate; based on best available information*

**Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.**

#### Detailed Rationale

Earlier Infomerics had moved the ratings of Nalanda Engicon Private Limited (NEPL) into Issuer Not Cooperating category vide its press release dated July 5, 2024, due to non-submission of 'No Default Statement' for three consecutive months ended June 2024.

Infomerics Ratings has upgraded the ratings, revised the long-term rating outlook from 'Negative' to 'Stable' and withdrawn the outstanding long-term rating of IVR BBB+/ Stable (IVR triple B plus with Stable outlook) and short-term rating of 'IVR A2 (IVR A two)' assigned to the bank facilities of NEPL with immediate effect. The upgradation of the ratings assigned to the bank facilities of NEPL derives comfort from the long operational track record under experienced promoters, healthy order book, moderate geographical diversification, and



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comfortable capital structure and satisfactory debt coverage indicators. These rating strengths are partially offset by exposure to tender driven nature of its business in highly fragmented and competitive operating scenario coupled with client concentration and exposure to project execution risk.

The outlook for NEPL is expected to remain stable as it will continue to benefit from the extensive experience of the promoters and healthy order book position with reputed clientele and its satisfactory capital structure with adequate debt protection metrics and favourable industry outlook.

The withdrawal has been taken at the request of Nalanda Engicon Private Limited and 'No Objection Certificate' received from Bank of India, Union Bank of India, ICICI Bank and also obtained "No Due Certificate" from Bank of Baroda that have extended the facilities rated by Infomerics. The rating is withdrawn in accordance with Infomerics' policy on withdrawal. Link to the withdrawal policy is provided below.

### **Key Rating Sensitivities:**

#### **Upward Factors**

- Not applicable

#### **Downward Factors**

- Not applicable

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Experienced promoters with long operational track record**

NEPL has more than 5 decades of long track record in the industry and the promoter Mr. Bibekanand Kumar and Mr. Saryoo Prasad Sinha having an experience of more than two decades in civil construction field and long standing presence of the promoter in the industry has helped the company to establish a healthy relationship with its customers and suppliers.

##### **Healthy order book, moderate geographical diversification**



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The total value of contracts worth ~Rs. 2601.34 Crores, the unexecuted order book stood at ~ Rs. 1339.22 Crores as of 31st June 2024 which is around 2.67x the current revenue of FY24 (refers to period April 1st, 2023, to Mar 31, 2024) thus providing revenue visibility in near to medium term and bidding for new projects thus indicating a satisfactory near to medium term revenue visibility. Successful execution of the projects has also helped it in getting repeat and large-sized orders from clients. The company participates in tender and executes its projects mainly in the state of Bihar, Sikkim and Odisha However, the company is trying to expand its bid to new states like Delhi and UP thus exposing the company to moderate geographical concentration risk.

### **Comfortable capital structure and satisfactory debt coverage indicators**

The capital structure of the company had remained comfortable over the past three fiscal years with its satisfactory net worth base of Rs.124.36 crore supported by accretion of profits as on March 31, 2024. Further, the adjusted tangible net worth (ATNW) stood at Rs.104.99 crore (excluding investments in group company worth Rs.19.37 crore). The Overall gearing stood comfortable at 0.68x as on March 31, 2024 from 0.64x as on March 31, 2023. Long term debt to equity has also improved and stood at 0.15x as on March 31, 2024 from 0.32x as on March 31, 2023. Overall indebtedness of the company marked by TOL/TNW has improved and stood at 1.69x as on March 31, 2024 as against 2.09x as on March 31, 2023. Debt protection metrics of the company remained comfortable with the interest coverage ratio 5.53x in FY24 from 5.84x in FY23 (refers to period April 1st, 2022, to Mar 31, 2023). Total debt to EBIDTA also improved to 1.22x in FY24 from 1.32x in FY23 followed by improvement in Total Debt to GCA to 1.82 years in FY24 from 1.84 years in FY23. DSCR also remains comfortable at 2.28x in FY24.).

### **Key Rating Weaknesses**

#### **Tender driven nature of business in highly fragmented & competitive operating scenario**

The domestic infrastructure works sector is highly crowded with presence of many players with varied statures & capabilities due to which profitability margins come under pressure.



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Further, the company receives its work orders from government departments through tenders floated by the departments. Economic vulnerability in developing markets, delay in payments from the Government, project execution risk and fluctuating input costs are the key business risk faced by the company in the sector.

### **Client concentration and exposure to project execution risk**

Top five client of NEPL contributes to ~57% of FY23 sales suggest high client concentration risk. The company majorly bids for Govt projects thus receivables risk. Payment is received on completion of milestones. Any delay in execution of pending orders might create liquidity crunch and hamper the company's credibility as well.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Withdrawal of ratings](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

### **Liquidity – Adequate**

The liquidity position of the company is expected to remain comfortable marked by its expected adequate gross cash accruals against its debt repayment obligations during FY25-FY27. The company has earned a gross cash accrual of Rs.39.47 crore in FY24 against debt repayment obligation amounting Rs. 4.58 crore. Further, the average fund-based utilisation of the company in the past 12 months ended in August 2024 remains at ~88% indicating adequate liquidity buffer.



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### **About the Company**

Set up in 1965 as a proprietorship firm and reconstituted as private limited company in 2007, NEPL was initially engaged in boring tube wells and manufacturing drilling machines. It currently executes civil construction projects related to water supply, roads and bridges. The company is currently promoted by Mr Bibekananda Kumar and Mr Saryoo Prasad Sinha.

### **Financials (Standalone):**

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	392.54	502.37
EBITDA	39.19	59.05
PAT	20.85	32.18
Total Debt	51.54	71.77
Tangible Net Worth	80.33	104.99
EBITDA Margin (%)	9.98	11.76
PAT Margin (%)	5.25	6.35
Overall Gearing Ratio (x)	0.64	0.68
Interest Coverage (x)	5.84	5.53

\* Classification as per Infomerics' standards.

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

CARE Rating has maintained the rating of NEPL into the Issuer Not Cooperating category on account of inadequate information and lack of management cooperation in the rating procedure despite repeated follow ups as per the Press Release dated January 10, 2024.

### **Any other information: Nil**



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Rating History for last three years:

Sr. No.	Name of Security /Facilities	Current Ratings (Year 2024-25)				Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating		Date(s) & Rating(s) assigned in (Year 2023-24)	Date(s) & Rating(s) assigned in (Year 2022-23)	Date(s) & Rating(s) assigned in (Year 2021-22)
					July 05, 2024	(July 11, 2023)		
1.	WCTL (ECLGS)	Long Term	2.21	IVR BBB+/Stable withdrawn	IVR BBB/ Negative ISSUER NOT COOPERATING*	IVR BBB+/Stable	-	-
2.	WCTL (UGECL)	Long Term	3.00	IVR BBB+/Stable withdrawn	IVR BBB/ Negative ISSUER NOT COOPERATING*	IVR BBB+/Stable	-	-
3.	Cash Credit	Long Term	20.00	IVR BBB+/Stable withdrawn	IVR BBB/ Negative ISSUER NOT COOPERATING*	IVR BBB+/Stable	-	-
4.	Overdraft	Long Term	2.50	IVR BBB+/Stable withdrawn	IVR BBB/ Negative ISSUER NOT COOPERATING*	IVR BBB+/Stable	-	-
5.	Bank Guarantee	Short Term	168.00	IVR A2 withdrawn	A3+ ISSUER NOT COOPERATING*	IVR A2	-	-
6	Proposed Bank Guarantee	Short Term	4.29	IVR A2 withdrawn	A3+ ISSUER NOT COOPERATING*	IVR A2	-	-

\*Issuer did not cooperate; based on best available information





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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us 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.



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### Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
WCTL (ECLGS)	-	-	-	FY27	2.21	IVR BBB+/Stable withdrawn
WCTL (UGECL)	-	-	-	FY27	3.00	IVR BBB+/Stable withdrawn
Cash Credit – I	-	-	-	-	10.00	IVR BBB+/Stable withdrawn
Cash Credit – II	-	-	-	-	10.00	IVR BBB+/Stable withdrawn
Overdraft – I	-	-	-	-	2.50	IVR BBB+/Stable withdrawn
Bank Guarantee – I	-	-	-	-	80.00	IVR A2 withdrawn
Bank Guarantee – II	-	-	-	-	56.00	IVR A2 withdrawn
Bank Guarantee – III	-	-	-	-	32.00	IVR A2 withdrawn
Proposed Bank Guarantee	-	-	-	-	4.29	IVR A2 withdrawn

**Annexure 2: Facility wise lender details – Not Applicable**

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable**

**Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable**

**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).