



Press Release

NAR Infra Private Limited

February 16, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	13.07 (reduced from 21.40)	IVR D (IVR D)	Downgraded from IVR BB+; Negative and removed from Issuer Not Cooperating Category	Simple
Short Term Bank Facilities	39.93 (reduced from 58.60)	IVR D (IVR D)	Downgraded from IVR A4+ and removed from Issuer Not Cooperating Category	Simple
Total	53.00 (Rupees fifty-three crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

Earlier due to inadequate information, Infomerics Ratings, in line with the Securities and Exchange Board of India guidelines, had migrated its ratings on bank facilities of NAR Infra Private Limited (NIPL) to 'IVR BB+; Negative; Issuer Not Cooperating / IVR A4+; Issuer Not Cooperating'. However, the company's management has subsequently started sharing requisite information, for a comprehensive review of the ratings. Consequently, based on the lender feedback received, Infomerics Ratings is downgrading its ratings to IVR D (IVR D). The revision in the rating assigned to the bank facilities of NAR Infra Private Limited reflects delays in debt servicing obligations by the company.

Key Rating Sensitivities:

Upward Factors

- Improvement in liquidity with timely debt servicing for three consecutive months
- Growth in scale of operations with improvement in profitability on a sustained basis and consequent improvement in liquidity.
- Sustenance of the capital structure with improvement in debt protection metrics.

Downward Factors

- Not Applicable



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

The promoters have more than two decades of experience in the field of civil construction services for various government funded projects. Benefits derived from the promoters' experience along with their strong understanding of construction and utility shifting industry, and healthy relationship with customers and suppliers is expected to continue and support the business. The company is being also supported by team of experienced and qualified professionals.

Proven project execution capability

Over the past years, NIPL has successfully completed many projects in and around Telangana, Maharashtra, Andhra Pradesh, Goa and Karnataka for various civil construction companies like NCC, Dilip Buildcon, Indian Hume Pipe etc. Thus, the company is enjoying a proven track record. The repeated orders received from the companies validate its construction capabilities.

Healthy order book position

NIPL has an unexecuted order book of Rs. 685.76 Crore as on January 01, 2024, which is executable in upcoming next 24 months and which is 5.41 times of FY23 revenue which provides healthy revenue visibility over short to medium term.

Key Rating Weaknesses

Delay in debt obligation payments

NIPL has instances of devolvement in Letter of credit facility for more than 30 days as confirmed by the lender along with instances of over-utilisation in Cash Credit limit for more than 30 days.

Moderate financial risk profile

The capital structure of the company though moderated, remained comfortable as on March 31, 2023. The moderation in capital structure is due to increase in debt levels with availment of GECL loans as on the balance sheet date. Debt protection parameters deteriorated with



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interest coverage ratio of 1.97x in FY23 as compared to 3.03x in FY22 due to decline in absolute EBITDA coupled with rise in interest charges.

Geographical and sectorial concentration risk

The present order book is majorly skewed towards utility shifting in the States of Andhra Pradesh, Uttar Pradesh and Karnataka from various government departments indicating a geographical and sectorial concentration risk. However, the company has adequate experience in executing utility shifting work which provides a comfort.

Working capital intensive nature of operation

The operations of the company are working capital intensive as a large amount of working capital remains blocked in receivables. Further, most of its works and consequent billings are skewed towards the month of March which led to high receivables as on the last date of the financial year (payments have generally been received in 1st quarter of the next fiscal) and resulted in high average collection period. However, despite high collection period, comfort can be derived from the fact that the dues are routed through various government departments which carries a low default risk. The operating cycle stood at 154 days as on March 31, 2023, driven by receivables of 251 days and payables of 257 days with inventory period of 160 days.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria of assigning Rating outlook](#)

[Rating Methodology for Infrastructure Companies](#)

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

[Policy of default recognition](#)

[Criteria on complexity](#)

Liquidity – Poor

The liquidity position of NIPL appears to be poor as the company has instances of Devolvement of Letter of credit for more than 30 days. Moreover, there are instances of overutilisation in cash credit account.

About the Company



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NAR Infra Pvt. Ltd. (NIPL) is an Engineering Services Company based in Hyderabad, Telangana, India. It was established in 1985 as a proprietorship concern and was later converted into a partnership firm and on January 5, 2010, it was converted into a Private Limited company. It was established with an objective to provide a complete range of engineering services. NIPL offers a wide range of customized services in the field of water pipelines, irrigation, and electrical lines on EPC basis. NIPL is AA or special class government approved contractor. The Company is specialised in providing utility shifting services.

Financials (Standalone):

For the year ended* / As on	(Rs. crore)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	123.35	126.67
EBITDA	15.31	10.91
PAT	6.70	7.31
Total Debt	27.10	36.15
Tangible Net worth	32.32	39.65
EBITDA Margin (%)	12.42	8.61
PAT Margin (%)	5.41	5.55
Overall Gearing Ratio (x)	0.84	0.91
Interest coverage (x)	3.03	1.97

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Brickwork Ratings continues to classify the rating of NIPL under Issuer Not Cooperating category vide its latest press release dated May 11, 2023, due to unavailability of information.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (Dec 08, 2023)	Date(s) & Rating(s) assigned in 2022-23 (Nov 17, 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	GECL	Long Term	1.07	IVR D	IVR BB+; Negative; Issuer Not Cooperating	IVR BBB-; Stable	-	-



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2.	Cash Credit	Long Term	9.00	IVR D	IVR BB+; Negative; Issuer Not Cooperating	IVR BBB-; Stable	-	-
3.	Proposed Cash Credit	Long Term	3.00	IVR D	IVR BB+; Negative; Issuer Not Cooperating	IVR BBB-; Stable	-	-
4.	Bank Guarantee	Short Term	34.00	IVR D	IVR A4+; Issuer Not Cooperating	IVR A3	-	-
5.	Proposed Bank Guarantee	Short Term	5.93	IVR D	IVR A4+; Issuer Not Cooperating	IVR A3	-	-

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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.



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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 visit www.infomerics.com

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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
GECL	-	-	July 2024	0.45	IVR D
GECL	-	-	Nov 2026	0.62	IVR D
Cash Credit	-	-	-	9.00	IVR D
Proposed Cash Credit	-	-	-	3.00	IVR D
Bank Guarantee	-	-	-	34.00	IVR D
Proposed Bank Guarantee	-	-	-	5.93	IVR D

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-NARInfra-feb24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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.