



Press Release

NAR Infra Private Limited (NIPL)

November 17, 2022

Ratings

Facilities	Amount(Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facilities – Cash Credit	5.00	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Long Term Fund Based Bank Facilities – GECL	1.40	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Proposed Long Term Fund Based Bank Facilities – Cash Credit	15.00	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Short Term Non-Fund Based Bank Facilities – Bank Guarantee	30.00	IVR A3 (IVR A Three)	Assigned	Simple
Proposed Short Term Non-Fund Based Bank Facilities – Bank Guarantee	28.60	IVR A3 (IVR A Three)	Assigned	Simple
Total	80.00	Rupees Eighty Crore Only		

Details of facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of N A R Infra Private Limited derive comfort from experienced promoters, proven project execution capability, healthy order book position, healthy growth in revenue coupled with satisfactory profit margins and Comfortable financial risk profile. The ratings are, however, constrained by geographical and sectorial concentration risk, high customer concentration risk and working capital intensive nature of operation.



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Key Rating Sensitivities:

Upward Factors

- 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

- Dip in the revenue and/or profitability and/or an increase in the gross working capital cycle or concentration risk.
- Moderation in the capital structure with moderation in the overall gearing along with significant or sustained deterioration in debt protection parameters and /or liquidity.

Detailed Description of Key Rating Drivers

Key Rating Strengths:

Experienced promoters

NAR Infra Private Limited (NIPL) was promoted by Mr. N. Anil Reddy 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 specialised in providing utility shifting services. NIPL is AA or special class government approved contractor. Benefits derived from the promoters' experience along with their strong understanding of utility shifting, and healthy relations with customers and suppliers is expected to continue and support the business.



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Proven project execution capability

NIPL has started its operation from 1985 and has successfully completed many projects in and around Telangana, Maharashtra, Andhra Pradesh, Goa and Karnataka for various civil reputed construction companies. The Company is specialised in providing utility shifting services like electric lines, water pipes, gas pipelines and telephone cables which are required to be shifted for a National Highway project. NIPL works as a sub-contractor to the principle of civil construction in providing utility shifting services. Thus, the Company is enjoying a proven track record. The repeated orders received from the customers validate its construction capabilities.

Healthy order book position

The order book position is healthy at unexecuted orders of ~Rs.728,22 crore as on October 31, 2022, which is 5.90 times of FY22 revenue. Given majority of the projects is to be executed in 12-36 months, the order book provides medium-term revenue visibility.

Healthy growth in revenue coupled with satisfactory profit margins

The Company's top line witnessed an increasing trend over the last two years from FY20(A) to FY22(A) as the total operating income grew to Rs.123.35 crore in FY22 from Rs.72.74 crore in FY20, registering a healthy CAGR of ~30% during FY20-22. The growth in revenue is driven by higher execution of order. The EBITDA margin remained satisfactory at 12.42% in FY22(A). Further, the PAT stood at 5.41% in FY22(A). The Company has executed many utility shifting projects in the past and the amount of major projects is somewhere around Rs.254 crore. The Company has started operating in UP region from FY23 onwards and have got Rs.250 crore of project. NIPL has an unexecuted order book of INR728.22 Crore as on October 31, 2022, which is executable in three years. The Company has achieved the operating revenue of Rs.35.75 crore for H1FY23 as against Rs17.89 crore in H1FY22. The healthy order book and performance in H1FY23 supports its revenue visibility. The company books major portion of the revenue in second half of any particular financial year.



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Comfortable financial risk profile

The Company's financial risk profile comfortable, with a gearing of 0.57 times and Long term debt to Equity ratio of 0.23 times as on March 31, 2022. The total debt as on March 31, 2022, stood low at Rs.15.26 crore. Further, interest coverage was healthy at 3.60 times in FY22(A) and is expected to remain above the current level.

Key Rating Weaknesses:

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.

High customer concentration risk

The company derived more around 84% of its revenues during the year from its top five clients, resulting in high customer concentration risk. However, a satisfactory execution track record with the customers mitigates the customer concentration risk, to an extent.

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 130 days as on March 31, 2022, driven by receivables of 188 days.

Analytical approach: Standalone



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Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria of Rating Outlook](#)

Liquidity- Adequate

The liquidity profile of NIPL is expected to remain adequate marked by its expected satisfactory cash accrual in the range of ~Rs. 12 - Rs. 20 crore during FY23-25 making enough room for the debt repayment obligation during the same period. The average working capital utilisation of the company remained comfortable at 52.97% during the past 12 months ended on August 31, 2022. The current ratio stood comfortable at 1.51x during FY22(A). The cash and bank balance of the Company stood at Rs.4.55 crore as on March 31, 2022. Going forward, the company is planning to further increase their working capital limits to support their liquidity required for revenue growth.

About the Company

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. The Company also undertakes and executes, direct contracts from the Government for water pipelines and irrigation work under the Jal Jeevan Mission, an initiative of the Central Government.



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Financials (Standalone)

(INR Crore)

For the year ended* As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	101.48	123.35
EBITDA	14.06	15.31
PAT	6.73	6.70
Total Debt	31.28	28.30
Tangible Net Worth	25.78	32.32
Ratios		
EBITDA Margin (%)	13.85	12.42
PAT Margin (%)	6.61	5.41
Overall Gearing Ratio (x)	1.21	0.88

* Classification as per Infomerics' standards

Status of Non-cooperation with previous CRA: Brickwork continues to classify the rating of NIPL under Issuer Not Cooperating vide its latest press release dated May 13, 2022.

CRISIL classified the rating of NIPL under Issuer Not Cooperating vide its press release dated August 26, 2022.

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Fund Based Bank Facilities – Cash Credit	Long Term	5.00	IVR BBB- / Stable	-	-	-
2.	Fund Based Bank Facilities – GECL	Long Term	1.40	IVR BBB- / Stable	-	-	-



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
3.	Proposed Fund Based Bank Facilities – Cash Credit	Long Term	15.00	IVR BBB- / Stable	-	-	-
4.	Non Fund Based Bank Facilities – Bank Guarantee	Short Term	30.00	IVR A3	-	-	-
5.	Proposed Non-Fund Based Bank Facilities – Bank Guarantee	Short Term	28.60	IVR A3	-	-	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations. For more information visit www.infomerics.com.



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Annexure 1: Details of Facilities (INR Crore)

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	Revolving	5.00	IVR BBB- / Stable
GECL	-	-	July 2024	0.78	IVR BBB- / Stable
GECL	-	-	November 2026	0.62	IVR BBB- / Stable
Proposed Cash Credit	-	-	Revolving	15.00	IVR BBB- / Stable
Bank Guarantee	-	-	-	30.00	IVR A3
Proposed Bank Guarantee	-	-	-	28.60	IVR A3

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-NAR-nov22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable



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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 <https://www.infomerics.com/>.