N G Projects Limited

March 11, 2025

Ratings

Security/ Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	22.00	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook).	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook).	Rating Reaffirmed	Simple
Short Term Bank Facilities	198.00	IVR A2 (IVR A Two)	IVR A2 (IVR A Two)	Rating Reaffirmed	Simple
Total	**220.00 (Rupees Two Hundred and twenty crore only)**				

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

The reaffirmation of the ratings assigned to the bank facilities of N G Projects Limited (NGPL) continue to derive strength from its experienced promoter with longstanding presence in the industry, reputed clientele coupled with proven project execution capability and favourable demand potential for road infrastructure projects in the country. NGPL's diversified geographical presence with strong unexecuted order book of Rs.1195.26 crore as on January 01, 2025, which is to be executed in the next two to three years, further supports the ratings. Also, the ratings note improvement in business performance of the company in FY2024 FY (refers to the period from April 01 till March 31) and subsequently in 9MFY2025, albeit moderation in operating margin. The rating also considers comfortable capital structure and debt coverage indicators in FY2024. However, these rating strengths remain constrained by exposure towards its subsidiaries which are SPVs (Special Purpose Vehicle) to execute HAM projects coupled with project execution risk, tender driven nature of business in highly fragmented & competitive operating scenario, exposure to sectoral concentration risk and susceptibility of operating margin to volatile input prices.

The stable outlook factors in company's long track record in civil construction sector, healthy order book, and comfortable capital structure.

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.
- Steady flow of orders & timely execution of the same on a sustained basis.

Downward Factors:

- Moderation in scale of operations and/or profitability impacting the liquidity profile on a sustained basis.
- Moderation in the capital structure with moderation in the overall gearing to over 1x.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience of the promoters in civil construction sector**

  The founder promoter of the company Mr. Narayansingh Gulabsing Rathod, is a first-generation entrepreneur with extensive experience of about 65 years in the civil construction sector. Mr. Harendrasingh Narayansingh Rathod and Mr. Gopalsinh Narayansingh Rathod (sons of Mr. Narayansingh Gulabsing Rathod and Managing Directors of the company) also have an experience of 45 years and 25 years respectively in the construction industry and are actively involved in managing the affairs of the company. The directors are well supported by a team of experienced and qualified professionals.

- **Proven project execution capability**

  Over the past years, the entity has successfully completed many projects across Gujarat, Rajasthan, Maharashtra, Goa, Jharkhand, Mizoram and Sikkim and ensured timely completion of all its projects. The repeat orders received from its clientele validate its construction capabilities.

- **Reputed clientele indicating lower counter party credit risk**

  NGPL mainly bids for tenders floated by various government departments/entities majorly in the road construction sector across Gujarat, Rajasthan, Maharashtra, Mizoram, etc. Hence, the counter party credit risk remains relatively low for NGPL, though timely receipt of bill payments from government, semi-government agencies is dependent on their timely receipt of sanctioned funds from higher authorities.

- **Diversified geographical presence**

The current order book of the company spans across various states like Gujarat, Rajasthan, Maharashtra, Mizoram, Himachal Pradesh and Jharkhand thereby generating a geographically diversified revenue profile for the company.

- **Strong order book position reflecting a healthy near to medium term revenue visibility**
  NGPL has unexecuted orders of ~Rs.1195.26 crore as on January 01, 2025, translating into 2.60 time of its FY2024 consolidated revenue, thereby providing healthy medium-term revenue visibility. These orders have been received from government departments and span across states like Rajasthan, Gujarat, Himachal Pradesh, Jharkhand and Maharashtra. Also, the two under construction HAM projects for road construction from NHAI in Himachal Pradesh and Jharkhand with unexecuted work worth Rs.596.40 crore as on January 01, 2025, further adds to the healthy order book position of the company. Though the order book is expected to be executed over the next 1-2 years, however, timely completion of the same without any cost overrun would remain a key monitorable.
- **Improvement in business performance in FY2024 and subsequently in 9MFY2025; albeit marginal moderation in operating margin**
  Total operating income (TOI) witnessed a y-o-y growth of ~16% from Rs.396.22 crore in FY23 to Rs.459.24 crore in FY24 on account of higher execution of orders. Despite the increase in top line, EBITDA margin moderated marginally from 15.91% in FY23 to 14.02% in FY24 due to increase in raw material prices primarily steel and cement which could not be covered entirely by the price escalation clause since the price escalation is based on the Index formula and has less relevance with regards to the actual increase in the prices of core material components. Nevertheless, on absolute terms, EBITDA increased from Rs.63.04 crore in FY23 to Rs.64.37 crore in FY24. PAT also increased from Rs.30.98 crore in FY23 to Rs.35.72 crore in FY24, though marginal moderation in PAT margin from 7.71% in FY23 to 7.65% in FY24. With an increase in absolute profits, GCA increased from Rs.48.77 crore in FY23 to Rs.52.88 crore in FY24. During 9MFY2025, NGPL registered a PAT margin of 8.89% on a TOI of Rs.323.35 crore as against a PAT margin of 8.02% on a TOI of Rs.219.53 crore driven by higher execution of projects coupled with decrease in operational overheads. The ability of the company to increase its scale of operations while maintaining the overall profit margins will be critical from credit perspective, going forward.
- **Comfortable capital structure and satisfactory debt coverage indicators**
  The debt profile of the group majorly comprises term loans from banks and financial institutions, working capital borrowings and small amount of unsecured loans. The capital

structure on a consolidated basis marked by long term debt equity ratio and overall gearing though moderated from 0.13x and 0.29x respectively as on March 31, 2023, to 0.47x and 0.54x respectively as on March 31, 2024, yet remained comfortable. The moderation in capital structure as on March 31, 2024, is due to an increase in term debts owing to disbursement of term loan in one of its HAM projects i.e., HHPL to the tune of Rs.60.06 crore as on March 31, 2024. Total indebtedness as reflected by TOL/ANW stood comfortable at 1.46x as on March 31, 2024. With the increase in overall profits on consolidated level, the debt coverage indicators marked by ICR improved from 7.89x in FY23 to 9.65x in FY24. Total debt/EBITDA and Total debt/NCA though moderated marginally from 0.78x and 1.00x respectively as on March 31, 2023, to 1.71x and 2.08x respectively as on March 31, 2024, yet remained comfortable.

- **Favourable demand potential for road infrastructure projects**
  India has the one of largest road network across the world, spanning over a total of 5.5 million km with gradual increase in road transportation over the years attributable to improvement in connectivity between cities, towns and villages in the country. The government, through a series of initiatives, is working on policies to attract significant investor interest. NGPL being mainly in road construction likely to be benefitted in near to medium term the increased thrust of the government in developing the road infrastructure.

Key Rating Weaknesses

- **Exposure to SPVs coupled with exposure to project execution risk**
  The current order book of the company majorly comprises two under construction projects for road construction in Himachal Pradesh and Jharkhand, the unexecuted portion of which is worth Rs.596.40 crore to be executed under Hybrid- Annuity Model (HAM), accounting for ~50% of the order book of the company as on January 01, 2025. These two HAM projects are executed under two SPVs. Out of the overall equity commitment of Rs.183.17 crore towards these two projects, NGPL has infused Rs.128.00 crore (~70% of overall commitment) till December 31, 2024, in the form of equity and unsecured loans. Moreover, NGPL has provided corporate guarantee towards the bank facilities availed by these SPVs and has also undertaken to provide financial support (fund the initial equity contribution, fund any cost escalation during the construction phase and any shortfall in the operational phase) to its SPVs executing the HAM projects. Further both the HAM projects experienced delays in execution due to several factors including delay in land acquisition, delays in receipt of required ROW, heavy rainfall and land slide, unavailability of primary materials due to closure of roads

amongst others. In both the projects, extension has been recommended by the IE (Independent Engineer) which is pending for approval by the authority. NGPL has completed ~66% and ~49% of the total work in HHPL and BHPL respectively till February 15, 2025. Considering NGPL's track record, these projects may get completed without cost/time overruns. Timely completion of the project without any time/cost overrun will be critical from a credit perspective

- **Susceptibility of operating margin to volatile input prices**
  Major raw materials used in civil construction activities are steel & cement and in road construction activities are stone, asphalt/bitumen and sand which are usually sourced from large players/dealers at proximate distances. The raw material & labour (including sub-contracting) cost forms the majority chunk of the total cost of sales for the company. As the raw material prices & labour (including sub-contracting) cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour (including sub-contracting) cost. However, the presence of escalation clause (for raw materials) in most of the contracts protect the margin to an extent.
- **Tender driven nature of business in highly fragmented & competitive operating scenario**
  NGPL's business is dependent on the company's ability to successfully bid for the tenders. Further, the domestic infrastructure/construction sector is highly fragmented with the presence of many players with varied statures & capabilities. This restricts NGPL's operating and financial flexibility.
- **Sectoral concentration risk**
  A major portion of the NGPL's total revenue is derived from road construction projects across various states thereby exposing the company to sectoral concentration risk. The company is exposed to the risk of reduction in workflow in case of any prolonged down-cycle in the road construction sector. Though the company has ventured into railway infrastructure projects from the last two financial years, yet these form a small percentage of the total revenue mix.

Analytical Approach: Combined

Infomerics has considered the combined financials of NGPL along with its subsidiaries as the company execute projects through SPV mode by floating subsidiaries for better execution of projects. The business of NGPL and its subsidiaries has high operational and financial linkages. Moreover, NGPL also extends corporate guarantee to its subsidiaries, Hamirpur

Highway Private Limited (HHPL) and Bokaro Highway Private Limited (BHPL). The list of entities is given in Annexure 4.

Applicable Criteria:

- Rating Methodology for Infrastructure Companies
- Financial Ratios & Interpretation (Non-Financial Sector).
- Criteria for assigning Rating outlook.
- Policy on Default Recognition
- Complexity Level of Rated Instruments/Facilities
- Consolidation of companies

Liquidity – Strong

The liquidity profile of the company is expected to remain strong in the near to medium term with comfortable level of cash accruals which is expected to improve further with increase in scale of operations vis-à-vis its debt repayment obligation. The company earned a GCA of Rs.52.88 crore in FY2024 as against repayment obligation of Rs.18.92 crore in FY25, Rs.21.59 crore in FY26 and Rs.42.09 crore in FY27 on a consolidated basis. The capital structure of the company on a combined basis was comfortable with overall gearing ratio of 0.54x as on March 31, 2024, indicating a sufficient gearing headroom. The current ratio stood comfortable at 1.69x as on March 31, 2024. Also, the company has unencumbered cash and cash equivalents of Rs.43.81 crore as on December 31, 2024, which is likely to support its liquidity position in the near to medium term. Further, the average utilisation of fund-based limit stood low at ~11% for the last twelve months ended December 2024 providing sufficient cushion in working capital limits. The average month end utilisation of non-fund- based limits also remained comfortable at ~48% during the last twelve months ended December 2024.

About the company

N G Projects Limited (NGPL) was incorporated in 1969 as a proprietorship firm by Gujarat based Late Narayansingh Rathod along with his two sons, Mr. Gopalsinh Rathod and Mr. Harendrasingh Rathod. The proprietorship firm was converted into a private limited company in 2003 and is engaged in contract-based construction and renovation of roads and highways for various Government bodies. NGPL is registered as a ‘AA’ class government contractor in Gujarat, Rajasthan, Maharashtra and Jharkhand. Further, the company has presence in the states of Gujarat, Rajasthan, Maharashtra, Goa, Jharkhand, Mizoram, Orissa, Himachal Pradesh and Sikkim. In the last few years, the company also ventured into the business of railway infrastructure in Maharashtra and Rajasthan and generated 21% and 19% of the total operating revenue in FY24 and 9MFY2025 respectively. The company has also been awarded projects for road construction by NHAI on Hybrid Annuity Model (HAM) basis in March 2022 for which the company has floated subsidiaries - Hamirpur Highway Private Limited (HHPL) and Bokaro Highway Private Limited (BHPL) as Special purpose vehicles (SPV). The company has received appointed date for both the projects and the concession period is 17 years including construction period of two years. The construction work for both the projects has already commenced and NGPL has completed ~66% and ~49% of the total BPC in HHPL and BHPL respectively till February 15, 2025 (CA certified).

Financials: Standalone

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	396.22	459.24
EBITDA	60.01	65.11
PAT	32.70	36.68
Total Debt	48.95	50.10
Adjusted Tangible Net Worth	167.87	159.37
EBITDA Margin (%)	15.15	14.18
PAT Margin (%)	8.14	7.85
Overall Gearing Ratio (x)	0.29	0.31
Interest Coverage (x)	18.49	10.24

***** *Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					December 20, 2023	September 29, 2022	
1	Cash Credit	Long Term	22.00	IVR BBB+ / Stable	IVR BBB+ / Stable	IVR A-/Stable	
2	Bank Guarantee	Short Term	198.00	IVR A2	IVR A2	IVR A2+	

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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] 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.

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Annexure 1: Instrument/Facility Details

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	22.00	IVR BBB+ / Stable
Bank Guarantee	-	-	-	198.00	IVR A2

Annexure 2: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/len-NGPL-mar25.pdf

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

Annexure 4: List of companies considered for consolidated/Combined analysis:

Name of the company	Consolidation Approach
N G Projects Limited	Full consolidation
Hamirpur Highway Private Limited	Full consolidation
Bokaro Highway Private Limited	Full consolidation

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.