



Press Release

NJR Constructions Private Limited (NJRCPL)

December 10, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complex ity Indicator
Long Term Facilities	23.00	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	IVR BB+/ Negative; Issuer Not Cooperating * (IVR Double B Plus with Negative Outlook; Issuer Not Cooperating *)	Upgraded with outlook changed from Negative to Stable and removed from 'Issuer Not Cooperating category'	Simple
Short Term Facilities	87.00	IVR A3+ (IVR A Three Plus)	IVR A4+; Issuer Not Cooperating * (IVR A Four Plus; Issuer Not Cooperating *)	Upgraded and removed from 'Issuer Not Cooperating category'	Simple
Total	110.00 (Rs. One Hundred and Ten 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 Rational

Infomerics Ratings has upgraded with outlook changed from Negative to Stable outlook and removed from 'Issuer Not Cooperating category' to the bank facilities of NJRCPL reflects improved operating profile, moderate capital structure, comfortable debt protection metrics and healthy orderbook position with limited counter party credit risk. The rating continues to derive strength from its experienced promoters and long track record of the company. However, these rating strengths are partially offset by geographical concentration risk, tender based nature of business and exposure to competitive segment and inherent risk in nature of business.

The ratings have been assigned a stable outlook as the NJRCPL's business and financial risk profile is expected to be maintained over the medium term.



Press Release

Key Rating Sensitivities:

Upward Factors

- Substantial improvement in the scale of operations and EBITDA margins
- Improvement in overall gearing.

Downward Factors

- A significant reduction in the scale of operations and profitability margins
- Deterioration in debt protection metrics and overall gearing
- Low orders inflow or delay in execution of projects.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Improved Operating Profile**

NJRCPL's total revenue improved with a CAGR of ~17% with improvement in total operating income to Rs. 447.88 crore at the end of FY24 (period refers to April 1, 2023, to March 31, 2024) from Rs.281.26 crore in FY21 with steady execution of orders, while EBITDA margins as well PAT margins remained stable and at 7.88% and 5.16% respectively at the end of FY24 (P.Y.: 7.88% and 5.17%). NJRCPL has achieved revenue of Rs.163.36 crore at the end of 1HFY25, Infomerics expects NJRCPL revenue to grow at steady pace over FY25-FY27 with strong order book and profitability is expected to remain at the current levels with stable cost along with presence of price escalation clause which protects its margins from any raw material price changes.

- **Healthy orderbook position with limited counter party credit risk**

As on September 30, 2024, NJRCPL has a healthy unexecuted order book of Rs.1,145.08 crore (2.55x of FY24 revenue). NJRCPL typically executes these projects between 1 year to 3 years. NJRCPL mainly caters to reputed government entities which includes Central Public Works Department (CPWD), UPJAL Nigam-Pondicherry, Telangana State Industrial Infrastructure Corporation Limited, A.P. Education & Welfare Infrastructure Development Corporation (APEWIDC), Andhra Pradesh Township And Infrastructure Development Corporation (APTIDCO) and Telangana State Education Women And Infrastructure Development Corporation (TSEWIDC). NJRCPL has low bargaining power



Press Release

with its customers, but its clientele base has sound credit risk profile, which reduce the counter party payment risk to a certain extent.

- **Moderate capital structure**

NJRCPL's capital structure remained moderate with overall gearing and TOL/TNW stood at same level to 1.27x and 2.04x respectively as on 31st March 2024 (31st March 2023: 1.27x and 2.00x respectively) with stable improvement in net worth with accretion of net profits and relatively stable working capital debt despite increase in revenue. Infomerics expects capital structure to improve further with profit accretion to net worth and repayment of debts.

- **Comfortable debt protection metrics**

Debt protection metrics remained comfortable though with interest coverage ratio has declined to 8.73x in FY24 (P.Y.: 12.54x) due to higher interest expenses with higher borrowing cost, however, total debt/NCA has marginally improved and stood at 5.54 years in FY24 (P.Y.: 5.82 years). IVR expects debt protection metrics are expected to be remain comfortable through FY25-FY27 with absence of any debt led capex and expected improvement in EBITDA margins.

- **Experienced promoters with demonstrated execution capability in civil construction business**

NJRCPL's promoters have long track record of executing construction projects. Mr. Janardhana Rao Nerella is having an extensive experience in the civil construction business spanning over 30 years. Mr. Venkateswara Ethendra Kishore Nerella Nath and Mr. Venkata Sunil Kumar Nerella and Mr. Venkata Vinay Kumar Nerella each are having extensive experience of more than a decade in civil construction business. The promoters are actively involved in the day-to-day affairs of the company, ably supported by a well experienced second line of executives.

Key Rating Weaknesses

- **Geographical concentration risk**



Press Release

NJRCPL's total operating income is highly concentrated in the states of Telangana and Andhra Pradesh with around 92% of its revenue coming from these states. NJRCPL executes majority of its projects for the Telangana and Andhra Pradesh government bodies. The concentration of major order book in the state of Telangana and Andhra Pradesh exposes NJRCPL's growth prospects to the macro and socio-political upheavals in the region. Consequently, any unrest in these state may hamper the performance of the company.

- **Tender based nature of business**

NJRCPL is mostly getting its orders through tenders floated by various government departments. As the infrastructure industry is highly fragmented due to the presence of many organized and unorganized players tender driven nature of business leads to volatility in revenue and profitability. Further, being in the infrastructure segment NJRCPL is exposed to inherent risks associated in this industry like slowdown in new order inflows, risks of delays in execution etc.

- **Exposure to competitive segment and inherent risk in nature of business**

The domestic infrastructure sector is highly fragmented, marked by the presence of many players with varied statures & capabilities. A boom in the infrastructure sector, a few years back, resulted in an increase in the number of players. While the competition is perceived to be healthy, a significant price cut by few players during the bidding process is a matter of serious concern for the users with respect to quality of output. NJRCPL faces direct competition from various organized and unorganized players in the market.

Analytical Approach: Standalone

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](#)



Press Release

Liquidity – Adequate

NJRCPL's liquidity is expected to remain adequate given the expected cash accruals in the range of Rs.30.54 crore to Rs.38.68 crore in the period of FY25 to FY27 as against the repayments of Rs.2.94 crore to Rs.4.46 during the period FY25 to FY27. The free cash and cash equivalents balance stood at Rs.22.30 crore as on September 30, 2023, while average working capital utilisation for the 12 months ended September 2024 remained moderate at ~70%. Current ratio stood at 2.24x as on March 31, 2024.

About the Company

NJRCPL was established in the year 1990 as a proprietorship concern. In the year 2009 it was converted into private limited company. NJRCPL is engaged in execution of civil work orders, mainly construction of building, bridges and roads for State and Central Government departments like CPWD, Greater Hyderabad Municipal Corporation, Andhra Pradesh Housing Board, Central Warehousing Corporation, Hindustan Petroleum Corporation Limited etc. NJRCPL is registered as Class 1 (AA) Buildings & Roads category contractor with CPWD and is also registered as a special class contractor with the governments of Andhra Pradesh and Telangana.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	373.18	447.88
EBITDA	29.42	35.31
PAT	19.47	23.48
Total Debt	135.23	164.87
Tangible Net Worth	106.14	129.58
EBITDA Margin (%)	7.88	7.88
PAT Margin (%)	5.17	5.16
Overall Gearing Ratio (x)	1.27	1.27
Interest Coverage (x)	12.54	8.73

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA:



Press Release

CARE Ratings continues to classify the rating of NJRCPL under Issuer Not Cooperating category vide its latest press release dated October 16, 2024 due to unavailability of information.

ICRA Ratings continues to classify the rating of NJRCPL under Issuer Not Cooperating category vide its latest press release dated January 8, 2024 due to unavailability of information.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (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 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					February 26, 2024	January 3, 2023	-
1.	Cash Credit	Long Term	13.00	IVR BBB/ Stable	IVR BB+/ Negative; ISSUER NOT COOPERATING*	IVR BBB-/ Stable	-
2.	Term Loan	Long Term	10.00	IVR BBB/ Stable	IVR BB+/ Negative; ISSUER NOT COOPERATING*	IVR BBB-/ Stable	-
3.	Bank Guarantee	Short Term	62.00	IVR A3+	IVR A4+; ISSUER NOT COOPERATING*	IVR A3	-
4.	Proposed Bank Guarantee	Short Term	25.00	IVR A3+	IVR A4+; ISSUER NOT COOPERATING*	IVR A3	-

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

Analytical Contacts:

Name: Nilesh Gupta	Name: Amey Joshi
Tel: (022) 62396023	Tel: (022) 62396023
Email: nilesh.gupta@infomerics.com	Email: amey.joshi@infomerics.com

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



Press Release

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.

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.

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
Cash Credit	-	-	-	-	13.00	IVR BBB/ Stable
Term Loan	-	-	-	July 2030	10.00	IVR BBB/ Stable
Bank Guarantee	-	-	-	-	62.00	IVR A3+
Proposed Bank Guarantee	-	-	-	-	25.00	IVR A3+



Press Release

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-NJR-dec24.pdf>

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.

