Press Release

NRP Projects Private Limited

May 31, 2024

Ratings

Sl. No.	Instrument/ Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
1.	Long Term Bank Facilities	159.87	IVR BBB/ Positive (IVR Triple B with Positive Outlook)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Reaffirmed and Revision in outlook	Simple
2.	Short Term Facilities	90.00	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
	Total	**249.87**	**Rupees Two Hundred Forty-Nine Crore and Eighty-Seven Lakh Only**			

Details of Facilities are in Annexure 1

Detailed Rationale

Informerics Valuation and Rating Private Limited (IVR) has reaffirmed the long-term rating of IVR BBB with revision in outlook to Positive and short-term rating of A3+ for the bank loan facilities of NRP Projects Private Limited (NPPL).

The rating continues to draw comfort from the established track record of operations and extensive experience of the promoters, demonstrated track record with proven execution capability, reputed clientele, healthy order book position and comfortable financial risk profile. However, these strengths are partially offset by tender driven nature of business, susceptibility of operating margin to volatile input prices, intense competition and elongated receivable period leading to working capital intensive nature of operations.

The 'Positive' outlook indicates ongoing improvement in operational performance and debt protection metrics in medium term. IVR believes NPPL will continue to benefit from its operational track record in the business, its reputed clientele and inflow of orders as per the current order book position. The industry outlook is also improving led by the government of India making steady progress in infrastructure growth and development.

IVR has principally relied on the audited financial results of NPPL's up to 31 March 2023, FY24 unaudited results and projected financials for FY25, FY26 and FY27, and publicly available information/ clarifications provided by the company's management.

Upward Factors

- Sustenance of growth in scale of operations with improvement in profitability
- Sustenance of the capital structure
- Improvement in cash conversion cycle

Downward Factors

- Any deterioration in liquidity profile
- Moderation in the capital structure with deterioration in overall gearing to more than 1x
- Further stretch in operating cycle

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Established track record of operations and extensive experience of the promoters:

The company commenced its operations in 2010 and has a successful track record of more than a decade in the existing line of business. Overall activities of NPPL are managed by Mr. Jayantibhai R Patel, Mr. Sailesh N Patel, Mr. Hitesh J Patel and Mr. Dushyant J Patel, with Mr. Jayantibhai R Patel being the Managing Director. He has experience of more than 50 years in the EPC Business. The directors are ably supported by qualified and well experienced management team. Over the years they have built strong relationship with customers and suppliers.

Demonstrated track record with proven project execution capability:

NPPL has a long track record of more than decade in EPC segment. Over the years of its operation the company has gradually established its credentials and successfully executed many projects. In order to manage the projects in a better way and to grow in a balanced way, the company has a policy to take up short to medium term projects (18-36 months) and handle limited number of projects at a time to ensure timely completion. The repeat orders received from its clientele validate its construction capabilities.

Reputed clientele:

The company mainly caters to public sector companies in oil & gas industry and gets business through tender bidding. Its clientele includes wide base of Public Sector Unit Customers' such as Indradhanush Gas Grid Limited, Numaligarh Refinery Limited, Indian Oil Corporation Limited., Bharat Petroleum Corporation Limited., Hindustan Petroleum Corporation Limited., GAIL (India) Limited., etc. However, top five customers cater to more than ~90% of its total operating income in FY24, indicating a concentrated customer profile. Though customers being reputed government companies impart comfort with low counterparty risk.

Healthy order book position:

The company has a total of Rs. 1128.81 crore of unexecuted order book which highlights the medium revenue visibility, which is to be executed over next 4-5 years, indicating satisfactory near to medium-term revenue visibility.

Comfortable financial risk profile:

The tangible net worth improved to Rs. 126.10 crore in FY2024 (Provisional) from Rs. 101.06 crore in FY2023. The Total operating income for FY2024 (Provisional) increased by 40.33% and stands at Rs. 469.77 crore. It stood at Rs. 334.77 crore in FY2023 which was 13.02% increase from Rs. 296.19 crore in FY2022. EBITDA has improved in absolute terms to Rs 57.00 crore (12.13%) in FY2024 (Provisional) from Rs.49.44 crore (13.03%) in FY2023. Similarly, PAT has improved in both absolute and percentage terms to Rs. 24.66 crore (5.23%) in FY2024 (Provisional) from Rs.16.48 crore (4.91%) in FY2023. The debt protection metrics marked by DSCR declined marginally but stood comfortable at 1.54x in FY2024 (Provisional) and FY2023. ICSR increased to 2.43x in FY2024 (provisional) from 2.04x in FY2023. The overall gearing ratio improved and stood at 1.33x in FY2024 (provisional) from 1.90x in FY2023 mainly due to increase in TNW. Similarly, total indebtedness of the company as reflected by TOL/TNW improved marginally stood at 2.31 times in FY2024 (provisional) from 2.81 times in FY2023.

Key Rating Weaknesses

Tender driven nature of business:

The company is mostly getting its orders through tenders floated by various oil and gas PSU's. As the infrastructure industry is highly fragmented due to presence of many organised and unorganised players tender driven nature of business leads to volatility in revenue and profitability. Further, being in infrastructure segment the company is exposed to inherent risks associated in this industry like slowdown in new order inflows, risks of delays in execution, liquidated damages (LD) charges etc.

Susceptibility of operating margin to volatile input prices:

The Company's operating margins are susceptible to volatility in prices of raw materials, although the same risk has been mitigated to some extent with the presence of price escalation clause.

Intense competition:

The domestic infrastructure/construction sector is competitive due to presence of many established domestic players and various international players with varied statures & capabilities.

Elongated receivable period leading to working capital intensive nature of operations:

NPPL's operations are working capital intensive marked by its elongated receivable period. Further, a large part of working capital also remained blocked in earnest money deposits, retention money and GST receivables from the government. Driven by elongated receivable period at 93 days, operating cycle of the company remained high at 216 days in FY2024 due to high inventory days.

Analytical Approach: For arriving at the ratings, IVR has analysed NPPL's credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

- Rating Methodology for Infrastructure Companies
- Financial Ratios & Interpretation (Non-Financial Sector)
- Criteria of assigning rating outlook
- Policy on default recognition
- Complexity level of rated instruments/ facilities

Liquidity – Adequate

The gross cash accruals stood comfortable at Rs. 27.40 crore for FY2024(Prov) and Rs. 20.81 crore for FY2023 against a repayment obligation of Rs. 9.51 crore in FY2024 (Prov) and Rs. 2.84 crore in FY2023 respectively. The company also has an adequate current ratio of 1.85 in FY2024(Prov). Liquidity is expected to remain Adequate. The company is expected to generate cash accruals in the range of Rs. 34.56 crore to Rs. 51.32 crore in FY25-FY27 as against the repayment of ~ Rs. 15.00 crore indicating sufficient repaying capability. The average fund-based utilisation remained high at ~93.23 during the past 12 months ended March 2024.

About the Company

NRP Projects Private Limited based out of Chennai, Tamil Nadu and was originally established as a partnership firm in 1964 by Late. Nagin Bhai R. Patel and Mr. Jayantibhai R. Patel as an engineering construction enterprise in Bangalore, Karnataka. Later headquarter was shifted to Chennai in 1981. It was converted to private limited company in June 2010. They provide integrated design, detailed engineering, procurement, construction and project management services for oil and gas industry.

Financials (Standalone): **(Rs. crore)**

For the year ended as on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	296.19	334.77
EBITDA	35.31	49.44
PAT	12.50	16.48
Total Debt	128.22	192.47
Tangible Networth	84.45	101.06
EBITDA Margin (%)	11.92	14.77
PAT Margin (%)	4.21	4.91
Overall Gearing Ratio (x)	1.52	1.90

**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 Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	**Amount outstanding (Rs. Crore)**	**Rating**	**Date(s) & Rating(s) assigned in 2023-24** April 04, 2023	**Date(s) & Rating(s) assigned in 2022-23** February 01, 2022	**Date(s) & Rating(s) assigned in 2021-22** February 03, 2021
1.	Fund Based – GECL	Long Term	9.87	IVR BBB/Positive	IVR BBB/Stable	IVR BBB/Stable	-
2.	Non-Fund Based – Bank Guarantee	Long Term	150.00	IVR BBB/Positive	IVR BBB/Stable	IVR BBB/Stable	IVR BBB/Stable
3.	Fund Based - Overdraft	Short Term	90.00	IVR A3+	IVR A3+-	IVR A3+-	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.

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.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facility – GECL	-	-	2028	9.87	IVR BBB/Positive
Long Term Bank Facility – Bank Guarantee*	-	-	-	150.00	IVR BBB/Positive
Short Term Bank Facility - Overdraft	-	-	-	90.00	IVR A3+

*Tenure of BG is more than 1 year. It includes sub-limit of LC of Rs.10.00 crore.
** Overdraft includes sub-limit of BG of Rs. 15.00 crore.

Annexure 2: List of companies considered for consolidated analysis: Not Applicable
Annexure 3: Facility wise lender details
https://www.infomerics.com/admin/prfiles/len-NRP-Projects-may24.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 Complexity Level of Rated Instruments/Facilities.