



## Press Release

### **NSL Constructions Private Limited**

**March 31, 2023**

#### **Ratings**

<b>Instrument / Facility</b>	<b>Amount (Rs. crore)</b>	<b>Previous Ratings</b>	<b>Current Ratings</b>	<b>Rating Action</b>	<b><a href="#">Complexity Indicator</a></b>
Long Term Bank Facilities	21.00 (enhanced from Rs.9.90 crore)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities	73.00 (enhanced from Rs.40.10 crore)	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	Reaffirmed	Simple
<b>Total</b>	<b>94.00</b>	<b>Rupees Ninety Four Crore Only</b>			

**Details of Facilities are in Annexure 1**

#### **Detailed Rationale**

Infomerics Valuations and Ratings Private Limited (IVR) has reaffirmed long-term rating IVR BBB- with a Stable Outlook and short term rating of IVR A3 for the bank loan facilities of NSL Constructions Private Limited (NSLCPL).

The rating continues to draw comfort from its experienced promoters, proven project execution capability with reputed clientele, healthy order book position provides revenue visibility in the medium term, moderate financial performance and moderate capital structure with adequate debt protection metrics. However, the ratings are constrained by geographical and sectoral concentration risk, susceptibility of operating margin to volatile input prices, tender driven nature of business in highly fragmented & competitive construction sector and working capital intensive nature of its operations.

IVR has principally relied on the standalone audited financial results of NSL Constructions Pvt Ltd (NSLCPL) upto 31 March 2022 and projected financials for FY23, FY24 and FY25, and publicly available information/ clarifications provided by the company's management.



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### **Key Rating Sensitivities:**

#### **Upward Factors**

- A sustained improvement in the revenue, scale of operations while maintaining the debt protection metrics and profitability.
- Sustenance of the capital structure with further improvement in liquidity.
- Reduction in concentration risks.

#### **Downward Factors**

- Dip in operating income and/or profitability further impacting the debt coverage indicators and/or deterioration in the financial risk profile.
- Any further significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Experienced promoters**

NSL Constructions Private Limited (NSLCPL) is promoted by partners of NB Construction Co, Mr. P.N. Nagabhusana and Mr. P. N. Nithin, both are qualified civil engineers and have wide experience in the construction industry through various organizations and expertise in handling and executing office complexes, Residential Quarters, Non- Residential buildings, Godowns, Auction Platforms, roads and structural works etc. at Karnataka. The promoters possess an experience of almost three decades in the civil construction industry and have proven execution capability in building construction projects over the years for various government agencies in Karnataka which supports its order inflow.

##### **Proven project execution capability with reputed clientele**



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The company has successfully completed many projects in the state of Karnataka for various government departments and non-government organisations. The repeat orders received from its clientele validate its construction capabilities. Further, most of the clients are government departments and/or government organisations which indicates low counterparty risk.

### **Healthy order book position provides revenue visibility in the medium term**

The company has an unexecuted order book position of Rs. 746.91 crore as on March 17, 2023. These orders mainly include construction of buildings from the Karnataka government departments. Most of the contracts in current order book have an execution period of 12 to 18 months lending near term revenue visibility.

### **Moderate financial performance and moderate capital structure with adequate debt protection metrics**

On combined basis during FY22, the partnership firm and the company have registered a total income of Rs.153.24 crore with an EBITDA of Rs.11.04 crore and PAT of Rs.7.70 crore and generated considerable cashflows and profit margins to meet their working capital requirement with low dependency on the working capital bank facilities. Further, the combined capital structure also remained moderate with combined overall gearing at 0.04x and combined total debt to adjusted tangible net worth at 2.08x respectively as on March 31, 2022. However, the combined debt protection metrics remained healthy with interest coverage ratio at 49.49x and total debt to EBITDA at 0.81x in FY22.

### **Key Rating Weaknesses**

#### **High geographical concentration**

Karnataka contributes to the company's entire pending order book, which exposes it to economic and political risks pertaining to a single region with no plans to geographically



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diversify in the immediate future. However, to reduce its geographical risk, the company has started bidding for projects in other states.

### **Intense competition in the construction industry**

The company is exposed to cyclicalities inherent in the construction industry and intense competition in the tender-based contract awarding system, resulting in volatility in revenue and pressure on margins. However, the long presence of the firm and timely execution of orders in the past resulted in healthy order inflow.

### **Working capital intensive nature of operations**

The operations of the combined entity remained working capital intensive marked by its elongated receivable period.

### **Tender driven nature of business in highly fragmented and competitive construction sector**

Execution risks for newly awarded projects in a timely manner will be key to achieving growth in revenues and profits. Business certainty is dependent on the firm's ability to successfully bid for the tenders as entire business is tender based. The domestic infrastructure/construction sector is highly crowded with presence of many players with varied statures & capabilities. Boom in the infrastructure sector, a few years back, resulted in increase in the number of players. While the competition is perceived to be healthy, 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.

### **Analytical Approach:** Consolidated

Infomerics has taken a combined approach for NSL Construction Private Limited (NSLCPL) and NB Construction Co. (partnership firm). The partners of NB Construction Co. incorporated NSLCPL to shift the entire business into the private limited company to manage the growth in



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a better manner. Some of the projects awarded to NB Construction Co. (partnership firm) were under execution under the company and the revenue for the same was also received by NSLCPL, whereas no projects are executed in the name of NB Construction Company w.e.f 1st April 2022 and all the pending work orders are in the name of NSL Constructions Pvt Ltd only. Since both the entities are under the same promoters and the company is only a continuation of the erstwhile partnership firm Infomerics analytical team has combined the financials from FY20 till FY22.

### **Applicable Criteria:**

[Rating Methodology for Infrastructure Entities](#)

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

[Criteria for assigning rating outlook](#)

### **Liquidity –Adequate**

NSL Constructions has generated gross cash accrual of Rs.8.23 crore in FY22 against the debt repayment obligations of Rs.0.31 crore. Further, GCA is expected to be in the range of Rs.15.00-18.00 crore during the projected period as against repayment obligation of Rs.0.39 crore in FY23-FY25. The current ratio of the company remained comfortable at 1.41x as on March 31, 2022. Moreover, the average utilization of fund-based bank limits remained low at ~7.00% during the past 12 months ended February 2023 indicating sufficient buffer to meet incremental requirements. The company has adequate cash and cash equivalents amounting to Rs.12.04 crore as on March 31, 2022. All these factors reflect adequate liquidity position of the company.

### **About the Company**

Incorporated in April, 2019 NSL Constructions Pvt Ltd (NSLCPL) is promoted by partners of NB Construction Co under the guidance of Mr. P.N. Nagabhusana who has more than 25+ years of experience in the civil construction industry. Before incorporation of NSLCPL, the construction operations were conducted under NB Constructions which is a partnership firm of the promoter, which was established in 2009. The promoters have executed various



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government projects like Residential schools, Hostels, Stadiums, Hospitals, Bus Terminals, Godowns and markets etc. worth ~950 crores over the years.

### Financials (Consolidated):

(Rs. Crore)

For the year ended*	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	77.39	153.24
EBITDA	6.55	11.04
PAT	3.87	7.70
Total Debt	11.06	8.92
Tangible Net worth	19.13	26.75
EBITDA Margin (%)	8.46	7.20
PAT Margin (%)	5.00	5.02
Overall Gearing Ratio (x)	0.21	0.04

\* Classification as per Infomerics' standards

### Financials (Standalone):

(Rs. Crore)

For the year ended*	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	73.94	143.05
EBITDA	6.04	10.00
PAT	3.65	6.95
Total Debt	11.06	8.82
Tangible Net worth	10.69	17.64
EBITDA Margin (%)	8.17	6.99
PAT Margin (%)	4.94	4.85
Overall Gearing Ratio (x)	0.32	0.05

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** None

**Any other information:** None

**Rating History for last three years:**

Sr. No.			Current Ratings (Year 2022-23)	Rating History for the past 3 years
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	Name of Instrument/ Facilities	Type	Amount outstanding (Rs. Crore)	Rating (March 31, 2023)	Rating (June 22, 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21 (March 23, 2021)	Date(s) & Rating(s) assigned in 2019-20
1.	Fund Based Facilities	Long Term	21.00 (enhanced from Rs.9.90 crore)	IVR BBB-/Stable	IVR BBB-/Stable	-	IVR BBB-/Stable	-
2.	Non Fund Based Facilities	Short Term	73.00 (enhanced from Rs.40.10)	IVR A3	IVR A3	-	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.



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For more information visit [www.infomerics.com](http://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: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	21.00	IVR BBB-/ Stable
Bank Guarantee	-	-	-	73.00	IVR A3

### Annexure 2: List of companies considered for consolidated analysis:

Name of the company	Extend of Consolidation (%)
NB Construction Company	100%

### Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-NSLConstructions-mar23.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 [Complexity Level of Rated Instruments/Facilities](#).