



Press Release

Nandhra Engineering & Construction (SPV) Private Limited

December 08, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	31.24	IVR BB+/Stable [IVR Double B Plus with Stable Outlook]	Revised	Simple
Total	31.24	(Rupees Thirty-one Crore and twenty-four lakhs Only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the rating assigned to the bank facilities of Nandhra Engineering & Construction (SPV) Private Limited is on account of delay in execution of project, increase in cost from 208.38 crore to 242.82 crore on account of Inflation adjustment and Change of Scope. Further there has been shifting of the COD from December 31, 2023, to October 31, 2023, and thereafter to January 31, 2024. Although the delay is on account events beyond company's control the final execution of the project till revised timeline remains to be seen Further the repayment of the loan will start from May 2024 which is contingent upon promoters' ability to infuse fund.

However, the ratings assigned to the bank facilities of Nandhra Engineering & Construction (SPV) Private Limited draw comfort from benefits derived from annuity-based revenue model, experienced promoters with high execution capabilities and corporate Guarantee from the Sponsor Company, low counterparty risk, waterfall mechanism in Escrow account and availability of DSRA Mechanism. However, these rating strengths are partially offset timeliness of annuity payment receipts from Authority, stiff competition and contract awarding system, proper maintenance essential for receipt of annuity payments.



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Key Rating Sensitivities:

Upward Factors

- Timely execution of project with no cost overruns leading to improved debt protection metrics
- Timely receipt of annuities and lower than expected operating cost, resulting in further improvement of DSCR

Downward Factors

- The rating may be downgraded if there is any delay in completion of the project and achievement of COD and if there is any cost overrun, if there is any delay in the receipt of annuity post completion of COD.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Benefits derived from annuity-based revenue model

The project being developed has an annuity-based revenue model. Under this model, the Government of Maharashtra makes bi-annual payments over the concession period to the concessionaire. The project also benefited from receipt of mobilization advance to the tune of 10% of the total bid project cost (BPC) post the receipt of appointment date. To be precise, the favorable clauses of the model include lower sponsor contribution due to high proportion of grant, inflationary adjustment to project cost and O&M cost, disbursement of grant in instalments upon achievement of various milestones and payment of interest by PWD on reducing balance of final construction cost at bank rate plus 3%, as a part of the annuity.

Experienced promoters with high execution capabilities and Corporate Guarantee from the Sponsor Company

NEC is promoted by Nandhra Engineering and Construction Company Limited (NECC). NECC is Tanzania based civil contractors, promoted by Mr. Iqbal Singh



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Nandhra and Gutej Singh Nandhra. NECC is engaged in the construction of Residential Buildings, Warehouses, Low-cost houses, Health Centers/ Hospitals, sheds and also in Civil Engineering Projects such as Parking roads, Drainages, Excavation works, etc. and has more than 25 years of experience. NECC has undertaken over 60 projects over the years for established clients like British Petroleum, various Ministries of the Government of Tanzania and Maldives. Further Nandhra Engineering & Construction Co. Ltd., Tanzania has provided an unconditional corporate guarantee to ensure availability of adequate funds to meet the shortfalls in availability of funds for debt servicing of the SPV before the due date.

Low counterparty risk

The project is being executed for PWD, Govt. of Maharashtra. The state's economy continues to be the largest state economy of the country. The state continues to be fairly self-reliant with nearly 70% of its revenue's receipts being accounted from its own sources. Thus, the risk arising from PWD defaulting on the annuity payments is low.

Waterfall mechanism in Escrow account and Availability of DSRA Mechanism

NEC has a waterfall mechanism through which cash flows in form of annuity from the authority is routed and used for payment of the term debt availed. It ensures the annuity receivables are escrowed to meet the principal payment and interest payments. As per the sanction condition, the company to create DSRA for 6 months debt servicing requirement (interest and principal payment) after achieving the DCCO (Date of Commencement of Commercial Operations) in the form of FDRs/FCNRs. DSRA will be topped up periodically on a continual basis to cover the one principal instalment & interest servicing for next 6 months from project cash flows, till the currency of bank advance.



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B. Key Rating Weaknesses

Exposure to project implementation risk with reschedulement of COD

The EPC of the said project will be done in-house, the Company is exposed to inherent construction risk attached to EPC projects. Construction support from the government entity in the form of grants shall be on the physical progress of the project, i.e. on milestone basis. Any delays in meeting the milestone achievement shall lead to cost-overruns and added penal charges. However, the group has a successful history in timely completion of its orders while ensuring utmost quality and the current project is running as per schedule.

The project's COD was earlier extended from March 24, 2021 to September 8, 2021 due to Covid related restrictions which affected project execution. Thereafter, the COD has been extended by PWD, Maharashtra thrice time, i.e., to June 30, 2022, then to December 31, 2023, then to October 31, 2023, and now to January 31, 2024, due to change in scope of the project, monsoon related challenges and labour shortage. As per the monthly progress report submitted, the company has achieved physical and financial progress of 83.47% as on September 30, 2023. Any further delay in project execution or non-achievement of COD by extended date will be key rating monitorable.

Annuity Payment receipts from Authority

Timely receipt of the upfront grant amounts and annuity payments from Public Work Departments, Government of Maharashtra remains a key rating sensitivity.

Stiff competition and contract awarding system.

Given the increased focus for HAM projects, the entity faces competition from other contractors while bidding and securing the contracts. The industry is intensely



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competitive on account of its fragmented nature of presence of mid-large players. The bid project cost-based contract awarding system also restricts the pricing flexibility of all players in the form of construction.

Proper Maintenance essential for Receipt of Annuity Payments

The SPV's source of income includes the annuity, interest on outstanding annuities and annual O&M payments from the authority concerned. Hence ensuring proper maintenance of roads and ensuring zero deduction in annuity receipts will be the key credit sensitivity. The company is exposed to the risk of sharp increase in the O&M cost due to more than envisaged cost in the maintenance of the road.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology- Infrastructure Companies](#)

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

[Criteria for assigning Rating outlook](#)

Liquidity – Adequate

Liquidity of the company is expected to remain adequate. The project is currently under construction and the funding for the cost of project has been tied up. The company will start receiving annuities from PWD after the construction of project. The waterfall mechanism will ensure that annuity receivables will be escrowed to meet the principal repayment and interest payments. Company's entire annuity payments from PWD and other receipts relating to their activity is being deposited in the financing bank and routed through Escrow Account. The unencumbered cash and bank balance stood at Rs. 25.87 crore and Rs. 20.64 crore as on March 31, 2023, and September 30, 2023 respectively.



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About the Company

Incorporated in December 2018, Nandhra Engineering and Construction (SPV) Private Limited (NEC) is a SPV of Nandhra Engineering and Construction (India) Private Limited (NECC) incorporated on 2017, which has entered into 10 year Concession Agreement (excluding the construction period of 730 days from appointed date) with PWD, Government of Maharashtra for development and maintenance of a road project on hybrid annuity model (HAM) basis for road Joining two Taluka places in Akola and Buldhana District (Warwand undri Ambe Takali Balapur, Maharashtra. SH- 274 & SH-269 with a project design length of 69.552 Kms. The project entails Rehabilitation, Up-gradation and Widening of the existing carriageway to Four-lane standard with construction of new pavement, rehabilitation of existing pavement, construction and / or rehabilitation of major and minor bridges, culverts, road intersections, interchanges, drains etc.

Financials (Standalone):

For the year ended* / as on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	40.93	49.70
EBITDA	5.82	7.31
PAT	1.38	1.40
Total Debt	82.00	93.26
Tangible Net Worth	6.05	7.45
Ratios		
EBITDA Margin (%)	14.21	14.72
PAT Margin (%)	3.36	2.81
Overall Gearing Ratio (x)	13.55	12.51

*Classification as per Infomerics` standards

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History for last three years:



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (Sep, 12, 2022)	Date(s) & Rating(s) assigned in 2021-22 (Jun 14, 2021)	Date(s) & Rating(s) assigned in 2021-22
1.	Long Term Fund Based Facilities	Long Term	31.24	IVR BB+/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	--

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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.

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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
Term Loan	-	-	Nov, 2027	31.24	IVR BB+/ Stable

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Nandhra-dec23.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 www.infomerics.com.