



Press Release

Nanu Ram Goyal & Co.

January 25, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	7.00	IVR BB/ Stable (IVR Double B with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	38.00	IVR A4 (IVR A Four)	Assigned	Simple
Total	45.00	(Rupees Forty-Five Crore only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Nanu Ram Goyal & Co. draws comfort from its experienced proprietor, healthy order book and comfortable capital structure and debt protection metrics.

However, these rating strengths are partially offset by moderate scale of operations with thin profitability, geographical concentration risk with stiff competition and tender based contract awarding system, susceptibility of operating margin to volatile input price and inherent risk for being a proprietorship concern.



Press Release

Key Rating Sensitivities:

Upward Factors

- Steady flow of orders & timely execution of the same leading substantial and sustained improvement in the revenue and cash accruals.
- Maintaining the debt protection metrics and improvement in capital structure and liquidity.

Downward Factors

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.
- Delay in execution of orders in hand resulting in failure to achieve projected revenue and profitability.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Proprietor:

The firm is being managed by experienced and professional proprietor who has rich experience in the industry and is instrumental in setting up and developing the entity. The proprietor has an experience of more than thirty-five years of experience in the field of civil construction. This has given the man understanding of the dynamics of the market and enabled them to establish relationships.

Healthy Order book:

Total unexecuted order book is Rs. 215.56 Cr., which is 2.95 times of the turnover of FY2023, the present order book is skewed towards the construction of residential and commercial buildings.



Press Release

Comfortable capital structure and debt protection metrics:

The Overall Gearing ratio improved from 1.08 times as on March 31, 2022, to 0.94 times as on March 31, 2023. This improved because of the lower utilisation of the bank borrowings. TOL/TNW moderated from 1.42 times as on March 31, 2022 to 1.57 times as on March 31, 2023, this moderated due to significant increase in creditors.

The debt protection indicators also moderated marked by Interest Coverage Ratio of 7.22 times in FY23 (FY 22: 14.34 times). DSCR moderated, it stood at 4.70 times in FY 23, as against 9.43 times in FY22.

Total Debt to GCA improved and stood at 5.70 years in FY23 against 6.35 years in FY22. and Tangible Net Worth also increased from Rs. 16.89 Cr. As on 31st March 2022 to Rs. 17.01 Cr. as on 31st March 2023.

Key Rating Weaknesses

Moderate scale of operations with thin profitability:

The scale of operation is moderate, and Nanu Ram Goyal & Co. remains a marginal player in the construction industry which is largely dominated by large and established players with intense competition in the operating spectrum. The total operating income improved by 15.20% from Rs. 62.92 Crore in FY22 to Rs. 72.49 crore in FY23. Gross Cash Accrual of the firm remained almost same and stood at Rs. 2.86 Crore in FY22 and Rs. 2.82 Crore in FY23.

The profitability margins of the firm, like EBITDA margin moderated from 7.75% in FY22 to 6.06% in FY23 due to the increase in raw material consumption cost and due to the increase in some of the manufacturing and administration expenses. In line with the EBITDA Margin, PAT Margin also moderated from 3.40% in FY22 to 2.67% in FY23.



Press Release

Geographical concentration risk with Stiff Competition and tender based contract awarding system:

The firm pre-dominantly operates in the state of Haryana indicating geographical concentration risk where it competes with other contractors while bidding and securing orders for construction works. The presence of a tender based contract awarding system along with intense competition also restricts pricing flexibility of all players in the industry.

Susceptibility of operating margin to volatile input price

Major raw materials used in civil construction activities are sourced from large players/dealers at proximate distances. The raw material & labour cost forms the majority chunk. As the raw material prices & labour cost are volatile in nature, the profitability of the firm is subject to fluctuations in raw material prices & labour cost. However, presence of escalation clause in most of the contracts protects the margin to an extent.

Inherent risks for being a proprietorship concern:

Being a proprietorship concern, the entity is exposed to inherent risk of the proprietor's capital being withdrawn at any time and entity being dissolved upon the demise/retirement/ insolvency of the proprietor.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria of assigning rating outlook](#)



Press Release

Liquidity – Adequate

The liquidity position of the firm is expected to remain adequate on the expectation of sufficient cushion in cash accruals vis-à-vis debt repayment obligations in the next 3 years. The monthly average utilisation of fund-based limits by Nanu Ram Goyal & Co. stood at 63.17% during 12 months period ended November 2023. Unencumbered cash and bank balance is Rs. 0.49 Crore. Nanu Ram Goyal & Co.'s operating cycle was of 47 days in FY22 and was of 36 days in FY23. The current ratio improved and stood at 1.50x as on March 31, 2023 as against 1.40 as on March 31, 2022. The Quick ratio moderated and stood at 0.95x as on March 31, 2023, as against 1.15x as on March 31, 2022.

About the Company

Nanu Ram Goyal & Co. is a Proprietorship concern which was established in 2002 and is engaged in civil construction projects who exhibit forte in the niche of high residential and commercial buildings, they are not the sub-contractors, they receive orders directly from the government by tender and the bidding process. They have a technical team, who is dedicated in providing efficient and timely services. They predominantly operate in the state of Haryana.



Press Release

Financials (Standalone):

(Rs. Crore)

For the year ended* / as on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	62.92	72.49
EBITDA	4.87	4.39
PAT	2.15	1.95
Total Debt	18.20	16.07
Tangible Net Worth	16.89	17.01
Ratios		
EBITDA Margin (%)	7.75	6.06
PAT Margin (%)	3.40	2.67
Overall Gearing Ratio (x)	1.08	0.94

**Classification as per Infomerics` standards*

Status of non-cooperation with previous CRA:

- Brickworks ratings in their press release dated October 19,2023 has classified the case under ISSUER NOT CO-OPERATING status on account of non-submission of relevant information.
- Care ratings in their press release dated April 10,2023 has classified the case under ISSUER NOT CO-OPERATING status on account of non-submission of relevant information.

Any other information: Not Applicable



Press Release

Rating History for last three years:

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 2022-23	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021
1.	OD	Long Term	7.00	IVR BB/Stable	--	--	--
2.	Bank Guarantee	Short Term	38.00	IVR A4	--	--	--

Name and Contact Details of the Group Head:

Name: Vipin Jindal

Tel: (011) 45579024

Email: vipin.jindal@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 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



Press Release

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
OD	-	-	-	7.00	IVR BB/ Stable
Bank Guarantee	-	-	-	38.00	IVR A4

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-NanuRam-jan24.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.