



Press Release

Nila Infrastructures Limited (NIL)

July 05, 2024

Ratings

Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	37.35	IVR BBB/ Stable (IVR Triple B With Stable Outlook)	-	Assigned	Simple
Short Term Bank Facilities	48.00	IVR A3+ (IVR A Three Plus)	-	Assigned	Simple
Total			85.35		
			(Rupees Eighty-Five crore and thirty-five lakh only)		

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 Rationale

Infomerics Ratings has assigned its ratings to the bank facilities of Nila Infrastructures Limited (NIL) which factors in the Experienced promoters, established track record of operation, diverse project portfolio, healthy order book position, proven project execution capability reflecting satisfactory medium-term revenue visibility, moderate revenue and profitability, positive government outlook and strategic opportunities.

The ratings, however, are constrained by Moderate capital structure and debt protection metrics, substantial exposure to group companies, susceptibility of operating margin to volatile input prices, tender based nature of business, geographical concentration, susceptibility to real estate cyclical and regulatory risks.

Key Rating Sensitivities:



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Upward Factors

- Procurement of new tenders providing medium to long term revenue visibility along with a substantial and sustained improvement in the revenue and cash accruals while maintaining the debt protection metrics and improvement in capital structure and liquidity.

Downward Factors

- Any decline in the revenue and/or profitability leading to deterioration in liquidity position and impairment in debt protection metrics, elongation of working capital cycle, Low orders inflow or delay in execution of projects.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

Nila Infrastructures Limited, with a business history spanning more than 30 years, has become a prominent player in civic urban infrastructure development, particularly in the rapidly growing Affordable Housing sector. The company, under the leadership of Chairman & Managing Director Mr. Manoj Vadodaria who has more than three decade of experience, and Directors Mr. Deep S. Vadodaria and Mr. Dilip D. Patel, along with Independent Directors Shyamal S. Joshi, Ms. Foram Mehta, and Mr. Revant Bhatt, is steered by qualified and esteemed promoters possessing extensive industry experience. These experienced leaders continue to occupy crucial roles in the business, supported by a team of technically qualified professionals. This ensures that the company leverages the management's profound understanding of industry dynamics. Additionally, the company has well experienced second line of management who bring ample experience in the construction sector to further enhance the collective expertise of the leadership team.



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Established track record of operation with diverse project portfolio

Nila Infrastructures Limited has an extensive portfolio of completed infrastructure projects, including the construction of BRTS bus shelters and multi-level parking facilities in Ahmedabad. The company has also successfully built a medical college and hospital in Barmer, Rajasthan, as well as the DK Patel Hall community hall in Ahmedabad, among various other EPC projects. Currently, the company has shifted its focus and actively engages in urban development, the company undertakes PPP/turnkey projects for affordable housing schemes initiated by government authorities. With a track record of delivering around 8,000+ houses in Ahmedabad, Jodhpur, Rajasthan, and Bhilwara, Nila Infrastructures Limited is actively contributing to the development of affordable housing projects.

Healthy order book position and proven project execution capability reflecting satisfactory medium-term revenue visibility

The company has a healthy unexecuted order book position to the tune of about Rs.1375.80 crore which is to be executed within 1-3 years, thereby providing a moderate revenue visibility over medium term. Nila Infrastructures has long track record of more than a decade in EPC/PPP segment. Over the past years, the entity has successfully completed many projects in Ahmedabad and Rajasthan ensured timely completion of its projects. The company's completed order book reflects its strong performance and expertise, demonstrating a consistent track record of delivering projects on schedule. This experience instills confidence that the company will successfully execute its ongoing projects.

Moderate revenue and profitability

From FY23 to FY24 (Audited) (refers to period April 1st, 2023 to March 31st, 2024) the company has shown significant positive trends, with total revenue increasing by approximately 55% and substantial improvement in EBIDTA margin from 1.81% to 5.90%, the growth was driven by successful completion of most EPC projects. By shifting focus to high-potential projects like Slum and Government Housing Redevelopment, the company improved their cash flows and financial health. Resulting increase in PPP projects by more than 110% in FY23 and FY24 as compared to FY22. The company registered its PAT margin at 5.72% in FY24 compared to 1.38% with the in FY23.

Positive government outlook and strategic opportunities



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The prospects for government investment in urban infrastructure remain highly optimistic across short, medium, and long-term horizons. Whether it's the Prime Minister's 'Housing for All Mission' or the initiative for 'Smart Cities,' the potential for growth is substantial. Moreover, fiscal, and monetary ecosystems are actively stimulated.

Currently, the Ahmedabad municipality corporation has successfully demolished and reconstructed over 50 slums. Developers seeking to build taller structures in compliance with the height restrictions obtain TDR through slum rehabilitation initiatives. Nila Infrastructures Limited, with over 7 completed slum redevelopment projects and ongoing efforts involving 8,000 to 9,000 houses across more than 10 different areas, leads as a prominent developer in Gujarat in slum rehabilitation and redevelopment. Their track record includes completing the first building in a record time of 18 months.

Key Rating Constraints

Moderate capital structure and debt protection metrics

Nila Infrastructures Limited capital structure remained moderate as on March 31, 2024, marked by overall gearing at 0.63x as on March 31, 2024 against 1.31x as on March 31, 2023. The total indebtedness of the company as reflected by TOL/TNW improved from 13.14x as on March 31, 2023, to 12.31x as on March 31, 2024 the company has a substantial exposure to group companies to the tune of Rs 104.92 crore as per audited financials of FY24 which has been adjusted towards the tangible network. The interest coverage ratio improved to 1.39x in FY24 when compared to 0.18x in FY23 due to improved profitability margins and DSCR remained weak and stood at 0.40x respectively in FY24.

Susceptibility of operating margin to volatile input prices

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

Tender based nature of business

The company is mostly getting its orders through tenders floated by various government departments. As the infrastructure industry is highly fragmented due to presence of many



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organized and unorganized 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 etc.

Geographical concentration

Majority projects of Nila Infrastructures Limited are in the vicinity of Ahmedabad, resulting in significant geographical concentration. Any downturn in these micro markets can impact the cash flows adversely.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

[Criteria of assigning Rating Outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity level of rated instruments/Facilities](#)

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

Liquidity: Adequate

The company is earning comfortable levels of GCA and the same is expected to increase with increased income levels and profitability. Company has current ratio of 1.04x as on 31 March 2024. Additionally, the company has cash and cash equivalents of INR.5.28 Crore as on 31st March 2024. However, Operating Cycle has remained elongated and stood at 124 days in FY24 when compared to 90 days in FY23.

About the Company.

Established in February 1990 in Ahmedabad, with a business history spanning more than 30 years Nila Infrastructures Limited (NIL) serves as the flagship company for the Sambhaav



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Group based in Ahmedabad. Primary area of operation includes construction and development of infrastructure projects mainly into affordable housing. Nila has evolved into a diversified infrastructure entity operating in Gujarat and Rajasthan. The company is listed on both BSE and NSE.

The company actively engages in urban development, the company undertakes Public-Private Partnership (PPP), Engineering, Procurement, and Construction (EPC)/turnkey projects for affordable housing schemes initiated by government authorities. The company's core activities revolve around the redevelopment of government housing and slum projects, notably in partnership with the Gujarat Housing Board and the Ahmedabad Municipal Corporation (AMC). Its operations are primarily concentrated within the state of Gujarat, overseeing the entire development process, offering turnkey solutions encompassing everything from civil construction to the comprehensive rehabilitation and relocation of slum residents.

Financials (Standalone):

(Rs. Crore)

For the year ended* / As on	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	114.42	184.67
EBITDA	2.07	10.89
PAT	1.77	11.37
Total Debt	65.74	34.58
Tangible Net worth	50.27	54.61
EBIDTA Margin (%)	1.81	5.90
PAT Margin (%)	1.38	5.72
Overall Gearing ratio (x)	1.31	0.63
Interest Coverage (x)	0.18	1.39

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: N.A.

Rating History for last 3 years:



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Sr. No.	Name of Facilities	Current Ratings (Year 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
1.	Term Loan	Long Term	33.35	IVR BBB/ Stable	-	-	-
2.	Overdraft	Long Term	4.00	IVR BBB/ Stable	-	-	-
3.	Bank Guarantee	Short Term	48.00	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.

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Annexure 1: Instrument/Facility Details

S. No.	Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
1	Term Loan	-	-	-	Upto 2038	33.35	IVR BBB/ Stable
2	Overdraft (OD)	-	-	-	Revolving	4.00	IVR BBB/ Stable
3	Bank Guarantee (BG)	-	-	-	-	48.00	IVR A3+

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Nila-Infra-juv24.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.