Press Release

NRP Projects Private Limited

February 01, 2022

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action
1.	Long Term Bank Facilities	83.42 (increased from 45.00)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Rating Reaffirmed/ Assigned
2.	Short Term Bank Facilities	95.00	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)	Rating Reaffirmed
	Total	**178.42**			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of NRP Projects Private Limited (NRPPPL) continue to derives comfort from extensive experience of the promoters, demonstrated track record with proven project execution capability and reputed clientele with healthy order book position. The ratings also positively factor in its healthy debt protection metrics and satisfactory financial performance. However, the rating strengths are partially offset by its tender driven nature of business, susceptibility of operating margin to volatile input prices, intense competition in the operating spectrum and elongated receivable period leading to working capital intensive nature of operations.

Key Rating Sensitivities:

Upward Factor:

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

Downward factor:

- 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

Extensive experience of the promoters

The promoters have extensive experience, spanning more than five decades, in the EPC segment with major focus in provides integrated design, detailed engineering, procurement, and construction and project management services for oil and gas industry. On the back of long presence of the promoters have developed good relationship with customers and suppliers.

Demonstrated track record with proven project execution capability

NRPPL has a long track record of more than three decades 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 (18-24 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 albeit customer concentration

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 Indian Oil Corporation Limited., Bharat Petroleum Corporation Limited., Hindustan Petroleum Corporation Limited., GAIL (India) Limited., etc. However, top five customers cater to more than 95% of its total operating income in FY21, indicating a concentrated customer profile. Though customers being reputed government companies impart comfort with low counterparty risk

Healthy order book position indicating a short to medium term revenue visibility

The company has outstanding order book of Rs. 384.52 crore as on December 31, 2021 (~1.5x of its FY21 total operating revenue) which is to be executed over next 2-3 years, indicating satisfactory near to medium-term revenue visibility.

Sustained growth in scale of operation with satisfactory financial performance

NRPPL's scale of operation remained strong with a total operating income of Rs. 264.33 crore in FY21 and registered a CAGR of ~19% during FY18-FY20 with a y-o-y growth of about ~7.93% in FY21 mainly driven by increased order inflow and higher execution of orders. With increase in its total operating income the absolute EBIDTA of the company remained consistent at around Rs. 33.47 crore in FY21 as compared to Rs.33.18 crore in FY20. The EBITDA margin of the company has been in the range of 11.26%-13.64% and decreased slightly from 13.64% in FY20 to 12.59 in FY21 due to higher operating costs. With decrease in EBITDA margin, the PAT margin of the company also decreased from 5.56% in FY20 to 4.27 in FY21.

Gradual improvement in the capital structure with healthy debt protection metrics

The capital structure, overall gearing ratio and other debt coverage indicators of the company are very comfortable as on last three account closing days in absence of any major external borrowing. Steady cash accruals and gradual decline in total debt level led to overall improvement in debt metrics over the past three years. Accordingly, the Total debt to GCA and interest coverage have improved from 6.13 years and 1.92x respectively in FY20 to 6.86x and 1.91x respectively in FY21. Total indebtedness of the company as reflected by TOL/ANW also remained satisfactory at 1.64x as on March 31, 2021. The DSCR stood at 1.87x in FY21, which has reduced marginally from 1.91x in FY20.

Key Weaknesses

Tender driven nature of business and competitive industry

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

NRPPL'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 97 days, operating cycle of the company remained high at 150 days in FY21. This was due to large projects being stalled due to the pandemic induced lockdowns.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies
Financial Ratios & Interpretation (Non-financial Sector)

Liquidity – Adequate

The company has adequate liquidity marked by its expected sufficient cushion in accruals (Rs. 18.87 crore in FY22) vis-à-vis its repayment obligations (Rs. 3.45 crore in FY22). The company has sufficient gearing headroom due to its comfortable capital structure. The average utilization of its fund-based limits during the twelve months ended November 2021 remained at ~93.40% indicating a limited liquidity buffer. The company has free cash and cash equivalents aggregating to ~Rs.4.27 crore as on March 31, 2021.

About the Company

Established as N.R Patel & Company at Bengaluru in 1964 by one Patel family, NRP Projects Private Limited (constitution changed in 2010) is engaged in Engineering, Procurement and Construction (EPC) services mainly for Oil and Gas industry. The company is specialised in execution of turnkey projects involving cross-country pipelines, Unit/Terminal/Refinery Mechanical Works, Civil Construction, Product Tankages, Fire Fighting facilities etc. Currently, the company has its headquarters in Chennai (shifted from Bengaluru in 1981) and is managed by second generation entrepreneurs, Mr. Jayantibhai R. Patel, Mr. Sailesh N. Patel, Mr. Hitesh J. Patel and Mr. Dushyant J. Patel.

Financials (Standalone):

(Rs. crore)

For the year ended*	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	243.19	265.95
EBITDA	33.18	33.47
PAT	13.82	11.44
Total Debt	100.27	87.68
Adjusted Tangible Net worth^	79.34	77.36
EBITDA Margin (%)	13.64	12.59
PAT Margin (%)	5.56	4.27
Overall Gearing Ratio (x)	1.03	1.07

* Classification as per Infomerics' standards ^includes unsecured loans subordinated to bank facilities

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating (01 February 2022)	Date(s) & Rating(s) assigned in 2020-21 (03 February 2021)	Date(s) & Rating(s) assigned in 2019-20 (10 January 2020)	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Fund Based Limits – SOD (BD)*	Long Term	45.00	IVR BBB/Stable	IVR BBB/Stable	IVR BBB/Stable	-
2.	Short Term Fund Based Limits – BG**	Short Term	95.00	IVR A3+	IVR A3+	IVR A3+	-
3.	Long Term Fund Based Limits – Term Loan	Long Term	38.42**	IVR BBB/ Stable	-	-	-

***One way Interchangeability from SOD (BD) limit (FB) to performance BG limit (NFB) at the existing level of Rs.15.00 Cr ** includes Inland Import LC of INR 6.00 Cr and Foreign LG of INR 10.00 Cr**

****includes proposed term loan of Rs 30.93 crs**

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.

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About Infomerics:

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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 Facilities- SOD (BD)*	-	-	-	45.00	IVR BBB/Stable
Short Term Bank Facilities – BG**	-	-	-	95.00	IVR A3+
Long Term Bank Facilities – Term Loan	-	Varied	Varied	7.49	IVR BBB/Stable
Long Term Bank Facilities – Term Loan (Proposed)	-	-	-	30.93	IVR BBB/ Stable

**One way Interchangeability from SOD (BD) limit (FB) to performance BG limit (NFB) at the existing level of Rs.15.00 Cr ** includes Inland Import LC of INR 6.00 Cr and Foreign LG of INR 10.00 Cr*

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

Annexure 3: Facility wise lender details
https://www.infomerics.com/admin/prfiles/NRP-projects-lenders-feb22.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Overdraft	Simple
2.	Bank Guarantee	Simple
3.	Term Loan	Simple

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.