



Rating Rationale

Nila Infrastructures Ltd.

19 Mar 2021

Brickwork Ratings reaffirms the ratings for the enhanced Bank Loan Facilities of ₹. 205.71 Crores of Nila Infrastructures Ltd. ('NIL' or the 'Company')

Particulars

| Facility | Amount (₹ Crs) | | Tenure | Rating* | |
|-----------------------|----------------|---------------|---|-----------------------------|-------------------------------------|
| | Previous | Present | | Previous (13Jan2020) | Present |
| Fund Based | 59.80 | 111.29 | Long Term | BWR BBB+ Outlook: Stable | BWR BBB+ Outlook: Stable |
| Non-fund Based | 94.42 | 94.42 | Short Term | BWR A2 | BWR A2 |
| Total | 154.22 | 205.71 | ₹ Two Hundred and Five Crores and Seventy One Lakhs Only | | |

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Details of Bank facilities are provided in Annexure-I

Brickwork Ratings has reaffirmed 'BWR BBB+/Stable/A2' rating for the enhanced bank facilities of Nila Infrastructures Ltd.

RATING ACTION / OUTLOOK

The ratings continue to draw strength from its operational track record, experienced management, healthy order book position, established clientele-majorly government bodies/PSUs and its moderate financial risk profile. However, the ratings continue to be constrained by the moderate scale of operations, exposure to project execution risks, uncertainty in revenue streams emanating from the tender based nature of business, susceptibility to economic downturns, intense competition in the industry leading to pressure on margins, exposure to changes in regulatory framework related to PPP models, related party investments and working capital intensive nature of operations. BWR also notes Covid 19 impact on the company's H1FY21 performance which has an impact across the sector and revival of the industry resulting in normalisation of business operations from September onwards. Though the H1FY20 performance was impacted due to covid 19 led disruptions and heavy monsoon which resulted in below par performance in the current year, the company was able to recover from Q3FY21 and started executing orders to pre covid levels.

The 'Stable' outlook indicates BWR's opinion that the Company will continue to benefit from its long track record of operations and the experience of its management and promoters. BWR expects that NIL's business risk profile will be maintained over the medium term. The outlook change to Positives is unlikely in the near term. The outlook may be revised to Negative if the Company reports significantly lower than expected performance, resulting in lower than estimated coverage indicators and a weaker financial risk profile or liquidity position.



KEY RATING DRIVERS

Credit Strengths:

- **Experienced management & established track record** - The Company is promoted by Mr. Manoj Vadodaria and Mr. Kiran Vadodaria, who have over three decades of experience in this industry. The Company has established strong relationships with reputed corporates and government agencies. NIL has developed a reasonably sustainable business model of construction of affordable housing projects and development of various infrastructure.
- **Established track record and healthy order book position indicating short to medium term revenue visibility** - The projects are well diversified in terms of Affordable Housing Projects, Slum Rehabilitation Projects, Multi level Parking, Medical College Campus, BRTS Stations, Office/Commercial Complexes etc. The Company also constructs low-complexity civil structures for meritorious civic authorities and reputed corporates. The company's client portfolio majorly comprises various government and semi-government entities resulting in low counterparty credit risk. NIL has a healthy order book of around Rs.527.77 Crs as of Jan 2021 providing medium-term revenue visibility. Out of which Rs. 436.33 Crs orders are under affordable housing and Rs. 94.44 Crs are under Civic Urban infrastructure.
- **Moderate performance, liquidity and comfortable gearing** - The Company reported 11.16% YOY revenue growth and recorded total operating income (on standalone basis) of Rs. 250.99 crs in FY20 as against total operating income (on standalone basis) of Rs.225.80 Crs in FY19 and Rs.214.30 Crs in FY18. Net profit margin and operating profit margin were at 7.02% and 11.43% respectively. Total Debt has gone down from Rs. 121.65 Crs in FY19 to Rs. 109.73 Crs in FY20. TNW improved from Rs. 125.65 Crs in FY19 to Rs. 143.31 Crs in FY20. Gearing has marginally improved from 0.97x in FY19 to 0.77x in FY20. Adequate Current ratio at 1.16x for FY20. The outbreak of the Covid-19 pandemic and the subsequent lockdowns have had significant impact on all businesses, including the Infrastructure segment. Further the heavy monsoon and reverse migration have caused delays in project completion which has severely impacted the company's H1FY20 performance. However, the Company was able to perform on pre covid levels from September onward and confident to achieve its projections. BWR expected revenue fall of around 47% for FY21 along with some moderation in margins mainly due to the covid 19 led disruption due to which H1FY21 performance was impacted which is inline with the overall industry scenario. The company reported revenue of Rs. 34.90 Crs with EBITDA of Rs. 0.60 Crs for H1FY21 whereas it has recorded revenue of Rs. 37.00 Crs with EBITDA of Rs. 7.00 Crs for Q3FY21.

Credit Risks:

- **Disruption in construction activities due to Covid-19** - The disruption in construction activities with the commencement of nationwide lockdown due to the Covid-19 pandemic from March 24, 2020 onwards is likely to have a negative impact on the operating income, profitability, and liquidity position of the Company in the near to medium term. BWR is given to understand that NIL's operations were stalled almost at



all the sites since the lockdown, with partial commencement at few project sites from May 2020 onwards. Post lockdown, the ramp up in construction activities has been gradual because of labour unavailability and revised working conditions at project sites, with the need to maintain social distancing. Further, BWR expects a decline in revenue in FY21 owing to deterioration in H1FY21 financial owing to Covid led disruptions. It is expected that the Company would be able to achieve the projections since it has started executing orders to pre Covid levels since September.

- **Project execution risks** - The business is cyclic in nature and prices are mainly driven by the demand and supply factors. Timely supply of raw materials like cement, steel, bricks are essential for timely completion of the projects. Shortage of labour (unskilled and skilled/technical personnel), raw material and lack of timely funding may delay the execution of projects of the Company. Further, the approval process and time for projects are generally uncertain which may delay the execution and thereby affect the performance of the Company.
- **Susceptible to tender-based nature of business** - Most of the projects are tender-based and hence, the Company's ability to bid successfully is crucial. Currently, NIL is executing projects in Gujarat and Rajasthan. The Company is susceptible to any slowdown in tenders floated in these regions or changes in the state government policies. Further, owing to the tender based nature of the business, the Company is also susceptible to uncertainty in revenue streams. The company's performance is exposed to economic downturn, input cost fluctuation and supply chain disruption.
- **Competition** - There is considerable competition in the EPC business, which leads to aggressive bidding. This may lead to loss of contracts or place pressure on margins.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

While assigning the Ratings, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive

Upgrade in rating is unlikely in the near term. BWR may upgrade NIL's rating if the company demonstrates a significant improvement in its liquidity position with healthy cushion in FB limits and if the interest coverage improves to more than 4.0 times on a sustained basis.

Negative

Negative pressure on the ratings could also arise if the execution is lower than expected, or there is an increase in the working capital cycle. Specific credit metrics that could result in downgrade include interest coverage below 1.70 times on a sustained basis. Pressure on the ratings could also materialise if the financial risk profile weakens due to a slowdown in the execution pace, moderation in profitability and elongation of working capital cycle leads to a significant increase in the working capital requirement and impacts the cash flows.



LIQUIDITY INDICATORS: Adequate

NIL has an adequate liquidity profile. Adequate Working capital utilization is average at around 80%. Net cash accruals to total debt was 0.17 times and Current ratio was 2.36 times as on 31 Mar 2020. Conversion cycle was 72 days.

COMPANY PROFILE

Incorporated in February 1990 at Ahmedabad, NIL is the flagship company of the Ahmedabad based Sambhaav Group. NIL started operations as a real estate developer in Gujarat and presently the Company is a diversified infrastructure entity operating in Gujarat and Rajasthan. It is listed on BSE and NSE. Mr. Manoj Vadodaria is the Chairman & Managing Director and Mr. Kiran Vadodaria is the Director of the Company. The Company is engaged in turnkey civic urban infrastructure development and the main focus is on Affordable Housing projects. It has a diversified work portfolio with Civic Urban Infrastructure projects such as Medical Colleges, Bus Ports, BRTS Stations, Multi-Level Parking Facilities, etc. In addition, the Company also undertakes construction works for selected reputed corporate developers. Some of the key projects handled by the Company are Slum Rehabilitation Project – Construction of 609 residential units and 21 shops in Ahmedabad, Bus Rapid Transit System (BRTS) Stations – 72% of total bus stations under the EPC model (104 nos), Romanovia Industrial Park and Kent Residential & Industrial Park – Industrial and Logistics park spread across 300 acres near Becharaji, Gujarat. Ahmedabad Municipal Corporation, Applewoods Estate Pvt Ltd, Engineering Projects India Ltd (a Mini Ratna), Venus Infra, Vadodara Urban Development Authority, Adani Group, Gujarat State Road Transport Corporation, Rajasthan Avas Vikas & Infrastructure Ltd, Vyapti Group are some of the key customers.

KEY FINANCIAL INDICATORS

| Key Parameters | Units | FY19 | FY20A |
|------------------------|-----------|---------|---------|
| Result Type | | Audited | Audited |
| Total Operating Income | Rs in Crs | 225.80 | 250.99 |
| EBITDA | Rs in Crs | 38.36 | 28.68 |
| PAT | Rs in Crs | 22.18 | 17.63 |
| Tangible Net worth | Rs in Crs | 125.01 | 143.31 |
| Total Debt/TNW | Times | 0.97 | 0.77 |
| Current Ratio | Times | 2.17 | 2.36 |
| ISCR | Times | 2.95 | 1.70 |

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED

The terms of sanction include standard covenants normally stipulated for such facilities.

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY : NA



RATING HISTORY FOR THE PREVIOUS THREE YEARS (including withdrawal and suspended)

| S.No | Instrument /Facility | Current Rating | | | Rating History | | |
|------|----------------------|------------------------------|----------------|---|--------------------|------|--------------------|
| | | Type (Long Term/ Short Term) | Amount (₹ Crs) | Rating | Jan 2020 | 2019 | Nov 2018 |
| | Fund Based | Long Term | 111.29 | BWR BBB+/Stable | BWR BBB+/Stable | NA | BWR BBB+/Stable |
| | Non Fund Based | Short Term | 94.42 | BWR A2 | BWR A2 | | BWR A2 |
| | Total | | 205.71 | ₹ Two Hundred and Five Crores and Seventy One Lakhs Only | | | |

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Criteria_ManufacturingCompanies](#)
- [Short Term Debt](#)

| Analytical Contacts | |
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Nila Infrastructures Ltd.

ANNEXURE I

Details of Bank Loan Facilities rated by BWR

| Facilities | Type (Long Term/ Short Term) | TOTAL |
|--------------------|------------------------------------|--------|
| A. FUND BASED-FBWC | Long Term | 111.29 |
| B. NON-FUND BASED | Short Term | 94.42 |
| Limits | | 205.71 |

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