



Rating Rationale

5 December 2024

Nila Infrastructures Ltd.

Brickwork Ratings reaffirms bank loan ratings of Rs 96.20 Crs of Nila Infrastructures Ltd. (NIL) while withdrawing the outstanding ratings for closed facilities.

Particulars

Facilities*	Amount (Rs.Crs.)		Tenure	Rating#	
	Previous	Present		Previous (08 Sept, 2023)	Present
Fund Based	10.22	33.20	Long Term	BWR BBB/Stable Downgraded	BWR BBB/Stable Reaffirmed
Fund Based	80.00	0.00	Long Term	BWR BBB/Stable Downgraded	Withdrawn
Non-Fund Based	32.42	63.00	Short Term	BWR A3 + Downgraded	BWR A3+ Reaffirmed
Non-Fund Based	7.00	0.00	Short Term	BWR A3 + Downgraded	Withdrawn
Grand Total	129.64	96.20	(₹ Ninety-Six Crores & Twenty Lakhs Only)		

*Annexure I gives details of bank loans

Please refer to the BWR website www.brickworkratings.com/ for the definition of the ratings.

Rating Action:

Brickwork Ratings (BWR) has affirmed the existing ratings to BWR BBB/Stable/ A3+ for a debt size of Rs. 96.20 Crores while withdrawing the ratings on closed facilities on receipt of No due certificates (NDC) in accordance with BWR's withdrawal policy.

The rating factors, *inter alia*, the Company's stable operating performance and recovery in profitability supported by project completion and income generated from Land and transferable development rights. The rating also factors in a robust order book which provides revenue visibility and reduces the overall debt. The ratings, however, are constrained due to high adjusted TOL / TNW and gearing owing to continued investment in Joint Ventures and subsidiaries. Other factors that constrain the rating include execution risk of the projects on hand, geographical and customer concentration of the order book, and susceptibility of margins to volatility in raw material prices since the majority of the order book comprises fixed price contracts.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term amid a robust order book, implementation track record, and adequate liquidity. BWR expects that the company's business risk profile will be maintained over the medium-term having orders from other Civic Urban Infrastructure projects.



Key rating drivers:

Credit Strengths:-

- **Extensive experience of the promoters :**

The promoters have more than three decades of experience in the construction business; their strong understanding of market dynamics and healthy relationships with customers and suppliers should continue to support the business. Nila Infrastructures Limited is registered as an 'L1' class category government contractor with the Government of Gujarat and is competent in Affordable Housing, Civic Urban Infrastructure projects, and Slum rehabilitation. Other than this, High-margin PPP is the major tributary. The major Government clientele comprises Ahmedabad Municipal Corporation (AMC), Gujarat Housing Board, and the Government of Rajasthan.

- **Robust operating performance :**

The company registered a consistent growth in operating income, driven by the completion of 4 projects in the past year and the sale of Land and Transferrable rights in FY24. The company reported a total operating income of Rs. 184.67 crores in FY24 against Rs. 114.42 crores in FY23 and achieved a Rs. 80.33 Crores in 6MFY25 (Rs. 63.59 Crores achieved 6MFY24). Further, the reduction in the finance cost coupled with efficient cost management, led to an improved EBITDA margin of 5.90% in FY24 (FY23: 1.85%) and 11.02% in H1FY25 (H1FY24: 2.59%). Net profit margin improved to 6.16% in FY24 (FY23:1.55%) & 12.73% in H1FY25 (H1FY24: 4.64%). BWR expects that the improved timely execution of the project and further sale of Land and Transferrable rights may help to increase the operational performance in the second half of the year.

- **Healthy order book providing revenue visibility:** The company has unexecuted orders worth Rs. 1,417.42 crores (as of September 30, 2024) with an execution tenor of 18-48 months. 89% of the work orders comprise slum redevelopment EPC is 8%, and civic urban infra is 3%. However, geographic concentration continues to remain in Gujarat with more than 90% of the order book from the state. The order book includes multiple mid-sized projects, safeguarding the operating performance of the company from delay in any particular project. The efficient execution and timely collection should continue to boost revenue visibility over the medium term.

- **Signification reduction in overall debt :**

The company has reduced a significant portion of long-term loans from Rs. 115 Crs to Rs. 24.14 Crs in the past four years. The Tangible net worth has increased to Rs. 159.53 Crs in FY24 (FY23: Rs. 148.28 Crs) due to retained earnings of past years and gearing further improved to 0.22 times in FY24 (FY23: 0.44 times) and 0.17 times as of 30th September 2024.

Credit Risks:-

- **Working capital requirements:** The company requires non-fund-based facilities for tenders and construction related to the slum rehabilitation projects while its fund-based requirements are low. The net working capital cycle improved to 108 days in FY24 (FY23: -350 days) reflecting prudent working capital management. The company subcontracts most of its



construction operations thereby passing the working capital burden to these subcontractors while part of this is funded through the sale of land and development rights and credits extended by the suppliers. Any substantial delay in the sale of land and development rights will impact liquidity and hence remains a n a key monitorable.

- **Continued investment in joint ventures/subsidiaries:** The company has been consistently investing in joint ventures/subsidiaries in the past couple of years. Adjusted TOL / TNW and adjusted Gearing remained elevated at 11.98x and 0.47x as of 30th September 2024 as the company continues to invest in its JVs and associates' other ventures. BWR notes continued support/investments in such JVs by way of extending financial support through loans or investments

Analytical Approach: Standalone

BWR has relied upon the standalone audited financials of Nila Infrastructures Limited., publicly available information, and clarification/information provided by the Company. Further, to arrive at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria as per the hyperlinks.

Rating Sensitivities

Upward:

- Improvement in debt protection metrics with interest and debt coverage remaining above 1.75 times on a sustained basis.

Downward

- EBITDA margin going below 5% on a sustained basis.
- Significant increase in the debt levels and non-current investments weakening the financial risk profile.
- Pressure on the ratings could also materialize if the financial risk profile weakens due to a slowdown in the execution pace, moderation in profitability, and elongation of the working capital cycle leading to a significant increase in the working capital requirement and impacting the cash flows.

Liquidity: Adequate

The cash and bank balance is Rs. 10.07 Crores as of 30th Sept 2024 (FY24: Rs. 5.46 Crs). The current portion of the long-term debt is reduced from Rs. 8.46 Crs in FY24 to Rs. 5.51 Crs in FY25. Net cash accruals during H1FY25 were at Rs. 10.76 Crs (FY24: Rs 13.14 Crs; FY23: Rs. 3.31 Crs) and are sufficient to service the debt. Unutilized portions of fund-based limits of Rs 4 Crs provide further cushion and support liquidity. The company's utilization of its Rs 4 Cr fund-based limits is low at 28% in the last 6 months ending on 31st October 2024. The current ratio is 1.08x in H1FY25 (FY24: 1.04X). The conversion cycle is improved with a reduction in the receivable collection period in FY24.



About the Company

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Realty	Realty	Residential, Commercial Projects

Nila Infrastructures Limited (hereinafter referred to as 'NIL' or 'the Company') is the flagship company of the Ahmedabad-based Sambhaav Group. The Company was incorporated in 1990 in Ahmedabad, Gujarat. It is engaged in urban development and undertakes projects under Public-Private Partnership (PPP), Engineering, Procurement & Construction (EPC)/ turnkey projects for affordable housing schemes initiated by government authorities. Its core activities involve the redevelopment of government housing and slum projects, majorly in partnership with the Gujarat Housing Board and the Ahmedabad Municipal Corporation (AMC). Its operations are predominantly within Gujarat. The company is listed on both BSE and NSE.

Key Financial Indicator- Standalone

		FY23	FY24	6MFY25
Particulars		Audited	Audited	Provisional
Operating Income	Rs. Crore	114.42	184.67	80.33
EBITDA	Rs. Crore	2.12	10.89	8.85
Net Profit	Rs. Crore	1.77	11.37	10.23
Total Debt	Rs. Crore	65.74	34.58	29.66
Gearing	Times	0.44	0.22	0.17
Current Ratio	Times	1.00	1.04	1.08

NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY: No Non-Cooperation with other CRAs.

KEY COVENANTS OF THE FACILITY RATED: The terms of sanction include standard covenants stipulated for bank loan facilities.



RATING HISTORY (Including Withdrawn / Suspended Ratings):

Facilities		Current Rating (2024)		2023		2022		2021	
Type	Tenure	Amount (Rs.Crs.)	Rating	Date	Rating	Date	Rating	Date	Rating
Fund Based	LT	33.20	BWR BBB/Stable (Reaffirmed)	8Sept2023	BWR BBB/Stable (Downgrade)	10Jun2022	BWR BBB+ Stable (Reaffirmation)	19Mar2021	BWR BBB+Stable (Reaffirmation)
Non-Fund Based	ST	63.00	BWR A3+ (Reaffirmed)	8Sept2023	BWR A3+ (Downgrade)	10Jun2022	BWR A2 (Reaffirmation)	19Mar2021	BWR A2 (Reaffirmation)
Grand Total		96.20	(Rupees Ninety-Six Crores & Twenty Lakhs Only)						

COMPLEXITY LEVELS OF THE INSTRUMENTS

Bank Loans – Simple

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

Hyperlink/Reference to Applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)
- [Real Estate-Residential](#)
- [Engineering, Procurement and Construction \(EPC\) Companies](#)

For any other criteria obtain hyperlinks from the website

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Nila Infrastructure Limited
ANNEXURE-I
Details of Bank Facilities rated by BWR

Facilities	Tenor	Previously rated Limits	Present Limit
Fund Based Limits		₹ in Crs	₹ in Crs
Bandhan Bank-Line of Credit - Sanctioned	Long Term	80.00	0.00*
Union Bank of India-Overdraft - Sanctioned		2.00	2.00
Punjab National Bank Overdraft - Sanctioned		2.00	2.00
Yes Bank- LAP - O/s		6.22	5.01
ICICI- Bank LAP O/s		0.00	12.70
Tata Capital Financial Services Ltd. LAP O/s		0.00	9.90
Tata Capital Financial Services Ltd. WCTL O/s			0.00
Total FB Limits		90.22	33.20
Non-Fund-Based Limits			
Union Bank of India Bank Guarantee - Sanctioned	Short Term	19.42	35.00
Punjab National Bank ILG/FLG - Sanctioned		13.00	28.00
Yes Bank Bank Guarantee - Sanctioned		7.00	0.00
Total NFB limits		39.42	63.00
Grand Total		129.64	96.20

(Rupees Ninety-Six Crores & Twenty Lakhs Only)



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