

## Rating Advisory

May 12, 2022 | Mumbai

### Navkar Urbanstructure Limited

**Update as on May 12, 2022**

This rating advisory is provided in relation to the rating of Navkar Urbanstructure Limited

The key rating sensitivity factors for the rating include:

#### Upward factors

- Significant growth in revenue and steady operating margin, leading to higher cash accrual
- Better working capital management, with gross current assets reducing to 300 days

#### Downward factors

- Sustained decline in revenue by around 30%
- Substantial increase in working capital requirement, weakening liquidity and financial risk profile

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL Ratings is yet to receive adequate information from Navkar Urbanstructure Limited (NBL) to enable it to undertake a rating review. CRISIL Ratings is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL Ratings views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings' criteria available at the following link, [https://www.crisil.com/content/dam/crisil/criteria\\_methodology/basics-of-ratings/assessing-information-adequacy-risk.pdf](https://www.crisil.com/content/dam/crisil/criteria_methodology/basics-of-ratings/assessing-information-adequacy-risk.pdf))

If NBL continues to delay the provisioning of information required by CRISIL Ratings to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016, SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 and **SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt January 3, 2020** issued by Securities and Exchange Board of India, CRISIL Ratings will carry out the review based on best available information and issue a press release.

#### About the Company

NBL was set up in 1992, by the promoter Mr Dakshesh Shah and his family. The company supplies ready-mix concrete and reinforced cement concrete (RCC) vertical hume pipes for infrastructure projects. It is also registered as an 'AA class' contractor with the government of Gujarat, and executes contracts pertaining to drainage work, horizontal drilling, cable line work, etc. Manufacturing facilities are located at Kheda (Gujarat).

# Ratings

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## Rating Rationale

March 16, 2021 | Mumbai

### Navkar Builders Limited

'CRISIL B+/Stable/CRISIL A4' assigned to Bank Debt

#### Rating Action

Total Bank Loan Facilities Rated	Rs.28 Crore
Long Term Rating	CRISIL B+/Stable (Assigned)
Short Term Rating	CRISIL A4 (Assigned)

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL Ratings has assigned its '**CRISIL B+/Stable/CRISIL A4**' ratings to the bank facilities of Navkar Builders Limited (NBL).

The ratings reflect exposure to risks related to tender-based nature of business, and the large working capital requirement. These weaknesses are partially offset by the extensive experience of the promoters in the construction material and infrastructure industry.

#### Key Rating Drivers & Detailed Description

##### Weakness:

- Extensive experience of the promoters:** The three-decade-long experience of the promoters in the construction material and infrastructure industry, their strong understanding of market dynamics and established relationships with suppliers and customers, will continue to support the business risk profile.

##### Strengths:

- Susceptibility to tender-based nature of business:** Revenue and profitability entirely depend on the ability to win tenders. Intense competition further requires players to bid aggressively to get contracts, and thus, keeps the operating margin moderate. Given the cyclical nature inherent in the construction industry, ability to maintain profitability via operating efficiency becomes critical.
- Large working capital requirement:** Gross current assets stood at 702 days as on March 31, 2020, and were high in the range of 550-700 days over the past three fiscals, owing to large inventory and receivables. The company needs to extend a long credit period to its customers and hold large inventory and work-in-process stock, given the intense competition and inherent nature of the construction business.

#### Liquidity: Stretched

Liquidity remains constrained by full utilisation of the bank limit over the 12 months ended January 31, 2021. However, expected cash accrual should suffice to cover the term debt obligation over the medium term. Current ratio was moderate at 1.36 times on March 31, 2020. Low gearing and moderate networth provide the financial cushion to raise debt in case of any adverse scenario.

#### Outlook: Stable

CRISIL Ratings believes NBL will continue to benefit from the extensive experience of its promoter, and established relationships with clients.

#### Rating Sensitivity factors

##### Upward factors

- Significant growth in revenue and steady operating margin, leading to higher cash accrual
- Better working capital management, with gross current assets reducing to 300 days

## Downward factors

- Sustained decline in revenue by around 30%
- Substantial increase in working capital requirement, weakening liquidity and financial risk profile

## About the Company

NBL was set up in 1992, by the promoter Mr Dakshesh Shah and his family. The company supplies ready-mix concrete and reinforced cement concrete (RCC) vertical hume pipes for infrastructure projects. It is also registered as an 'AA class' contractor with the government of Gujarat, and executes contracts pertaining to drainage work, horizontal drilling, cable line work, etc. Manufacturing facilities are located at Kheda (Gujarat).

## Key Financial Indicators

As on / for the period ended March 31	Unit	2020	2019
Operating income	Rs crore	45.65	154.85
Reported profit after tax	Rs crore	0.40	5.43
PAT margin	%	0.85	3.59
Adjusted Debt/Adjusted Network	Times	0.30	0.24
Interest coverage	Times	1.93	5.99

## Status of non cooperation with previous CRA:

NBL has not cooperated with Credit Analysis & Research Ltd (CARE) which has classified it as non-cooperative vide release dated March 27, 2020 and 11th August, 2020. The reason provided by CARE is non-furnishing of information for monitoring of ratings.

**Any other information:** Not applicable

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## Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Cr)	Complexity Levels	Rating Assigned with Outlook
NA	Cash Credit	NA	NA	NA	11.00	NA	CRISIL B+/Stable
NA	Bank Guarantee	NA	NA	NA	14.00	NA	CRISIL A4
NA	Proposed Long-Term Bank Loan Facility	NA	NA	NA	3.00	NA	CRISIL B+/Stable

## Annexure - Rating History for last 3 Years

Instrument	Current			2021 (History)		2020		2019		2018		Start of 2018
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	14.0	CRISIL B+/Stable		--		--		--		--	--
Non-Fund Based Facilities	ST	14.0	CRISIL A4		--		--		--		--	--

All amounts are in Rs.Cr.

## Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	14	CRISIL A4	-	-	-
Cash Credit	11	CRISIL B+/Stable	-	-	-
Proposed Long Term Bank Loan Facility	3	CRISIL B+/Stable	-	-	-

Total	28	-	Total	0	-
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**Links to related criteria**

[CRISILs Bank Loan Ratings](#)

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