

December 12, 2024

NSPR Constructions (India) Pvt. Ltd: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term – Fund-based – Cash credit	13.50	23.50	[ICRA]BBB+(Stable); reaffirmed/ assigned for enhanced amount
Long term / Short term - Non-fund based – Bank Guarantee	171.34	236.34	[ICRA]BBB+(Stable)/ [ICRA]A2; reaffirmed/ assigned for enhanced amount
Unallocated limits	0.16	0.16	[ICRA]BBB+(Stable)/ [ICRA]A2; reaffirmed
Total	185.00	260.00	

*Instrument details are provided in Annexure I

Rationale

The reaffirmed ratings favourably factor in NSPR Constructions (India) Pvt. Ltd's (NSPR) improved scale of operations with revenues increasing to Rs. 382.82 crore in FY2024 from Rs. 201.0 crore in FY2023. It also reflects the expectation that the company will sustain and further improve its revenue base over the medium term on the back of a healthy order book position (OB) and its execution. As on November 30, 2024, the order book position stood at Rs. 1,218.09 crore, translating to 3.2 times of FY2024 revenues, providing medium-term revenue visibility.

The ratings consider the reputed client profile, including the Ministry of Road Transport and Highways of India (MoRTH) and Tata Projects Limited. This results in low counterparty credit risk and a comfortable cash conversion cycle. The financial risk profile is expected to remain comfortable with an adjusted TOL/TNW of 1.36 times (adjusted for interest-free Inter-corporate deposits (ICDs) from Group companies) and interest coverage of more than 6 times for FY2025 owing to moderate debt levels. The ratings also consider the company's adequate liquidity position with low utilisation of working capital limits and availability of surplus funds from its operational build-operate-transfer (BOT) annuity road project. NSPR has one debt-free BOT operational special purpose vehicle (SPV), wherein Rs. 28 crore of annuity payments are yet to be received, which are expected to support the overall liquidity position.

The ratings are, however, constrained by the high project concentration risk with the top three projects accounting for 81% of the order book as on November 30, 2024. Therefore, NSPR's ability to execute the projects in a timely manner and secure new orders remains a key rating monitorable in the near term. The ratings are also constrained by high sectoral concentration as the order book entirely comprises road works, and high geographical concentration risk with 99% of the order book as on November 30, 2024 being limited to two states (Andhra Pradesh and Tamil Nadu). Although the operating margins improved to 10.85% in FY2024 from 9.72% in FY2023, owing to the utilisation of own machinery and reduction in sub-contracted works, the sustainability of the margins at similar levels in the medium term remains to be seen, given the stiff competition in the construction sector and tendering nature of the business. The ratings are constrained by the company's exposure to sizeable contingent liabilities in the form of bank guarantees, mainly for contractual performance, mobilisation advance and bid security. Nonetheless, ICRA draws comfort from its execution track record and absence of invocation of guarantees in the past.

The Stable outlook reflects ICRA's opinion that NSPR will be able to scale up its operations on the back of a healthy order book position, along with timely receipt of payments, given its reputed client profile and adequate liquidity position.

Key rating drivers and their description

Credit strengths

Healthy revenue visibility – As on November 30, 2024, the company had an order book of Rs. 1,218.09 crore, translating to 3.2 times of FY2024 revenues, providing medium-term revenue visibility. Although the order book position moderated from Rs. 1,677.7 crore as on September 30, 2023, owing to no new order addition in the past few months and healthy execution, the company was the lowest bidder (L1) in a major road project worth Rs. 664 crore in November 2024, supporting the order book position.

Comfortable financial risk profile – NSPR's financial risk profile is characterised by moderate adjusted leverage (TOL/TNW) of 1.36 times as on March 31, 2024, and interest coverage ratio of 6.39 times in FY2024. The total debt primarily includes interest-free ICDs of Rs. 102.94 crore from its BOT SPVs, working capital limit utilisation of Rs. 7.43 crore and equipment loans of Rs. 54.39 crore. Going forward, the interest coverage and leverage are expected to improve on the back of enhanced operating profits and repayment of term debt. The company received ~Rs. 64.2 crore as ICDs in FY2024 and Rs. 9.35 crore in October 2024 from its BOT annuity SPVs, which supported the overall liquidity position.

Established track record in execution of road projects – The company has more than two decades of experience in executing road projects. It had successfully completed five BOT (annuity) road projects in Andhra Pradesh in the past. All the projects have completed the concession period and were handed over to the authorities successfully. However, the company is yet to receive three annuities amounting to Rs. 28 crore for one BOT project.

Credit challenges

Moderate scale of operations – NSPR's scale of operations remains moderate at an absolute level with revenues of Rs. 382.82 crore in FY2024, although improved from Rs. 201 crore in FY2023, supported by enhanced execution of key orders received in FY2023. The company's ability to ramp up its operations and execute the projects in a timely manner remain a key rating monitorable in the near term.

High order book concentration – The company has high project concentration with the top three projects accounting for 81% of the total order book as on November 30, 2024. Also, the order book has a high sectoral concentration with orders primarily related to road construction and high geographical concentration risk with majority of the order book being limited to two states. However, satisfactory progress across all the major projects from MoRTH and timely realisation of bills mitigate the risk to an extent.

Exposed to intense competition, keeping margins under check – The civil construction segment is characterised by intense competition due to the low complexity of work involved, as well as low entry barriers in terms of qualifications required for the tenders floated. This results in a large number of contractors in this segment, leading to intensely competitive bids and exerting pressure on margins. Although operating margins improved to 10.85% in FY2024 from 9.72% in FY2023 owing to the utilisation of its own machinery and reduction in sub-contracted works, the company's ability to sustain margins at similar levels in the medium term will be a key rating monitorable.

Liquidity position: Adequate

NSPR's liquidity position is adequate, with a free cash balance of Rs. 52.5 crore as on November 30, 2024 and a cushion in its working capital limits. Further, the average working capital limit utilisation is moderate at 21% in the past 12 months, ending in November 2024. The company has a debt repayment of ~Rs. 35 crore in FY2025 and ~Rs. 20 crore in FY2026, which can be comfortably met through its cash flow from operations. It has limited capex plans in FY2025 and is expected to be funded primarily through a mix of debt and internal accruals.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the company demonstrates a significant improvement in its scale of operations and profitability margins, along with diversification in the order book profile. Further, improvement in the liquidity position on a sustained basis will also support a rating upgrade.

Negative factors – Pressure on NSPR’s ratings could arise if any slowdown in order execution or decrease in profitability margin results in a material decline in cash flows, or if a stretch in the working capital cycle weakens the liquidity position. Additionally, any sizeable debt-funded capex or investment towards any new BOT projects, which adversely affects its coverage metrics and liquidity profile may result in a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Construction
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Founded in 1990 as a partnership firm, NSPR Constructions is involved in the construction of road projects on a build-operate-transfer (BOT) and engineering procurement construction (EPC) basis. The firm was reconstituted as a private limited company in 2009 and was renamed NSPR Constructions (India) Private Limited (NSPR). NSPR has undertaken five BOT (annuity) projects under SPVs namely, NSP Variegate PP Road Projects Private Limited, NSP BVSRR KP Road Projects Private Limited, NSP Variegate RG Road Projects Private Limited, NSPR KP Road Projects Private Limited and NSPR KP Two Road Projects Private Limited, which have concession agreements with Andhra Pradesh Road Development Corporation (APRDC). All the SPVs have completed the concession period as of June 2024.

Key financial indicators (audited)

	FY2023	FY2024
Operating income	201.0	382.8
PAT	7.2	15.2
OPBDIT/OI	9.7%	10.9%
PAT/OI	3.6%	4.0%
Total outside liabilities/Tangible net worth (times)	1.4	2.1
Total debt/OPBDIT (times)	4.4	4.0
Interest coverage (times)	4.5	6.4

Source: Annual reports; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes, and amortisation; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Current rating (FY2025)		Chronology of rating history for the past 3 years			
			Date & rating in FY2025	Date & rating in FY2024	Date & Rating in FY2023		Date & Rating in FY2022	
			Dec 12, 2024	Dec 12, 2023	Dec 5, 2022	Nov 18, 2022	Oct 07, 2021	
1	Cash credit	23.50	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)
2	Bank guarantee	236.34	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2
3	Unallocated	0.16	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Cash credit	Simple
Long-term / Short-term – Non-fund based – Bank guarantee	Very Simple
Long-term / Short-term – Unallocated	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#).

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash credit	-	-	-	23.50	[ICRA]BBB+(Stable)
NA	Non-fund based	-	-	-	236.34	[ICRA]BBB+(Stable)/[ICRA]A2
NA	Unallocated	-	-	-	0.16	[ICRA]BBB+(Stable)/[ICRA]A2

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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