

November 18, 2022

NSPR Constructions (India) Pvt. Ltd: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based – Working capital facilities – Cash credit	9.50	9.50	[ICRA]BBB+(Stable); Reaffirmed
Non-fund based – Bank guarantee	110.50	110.50	[ICRA]BBB+(Stable)/[ICRA]A2; Reaffirmed
Unallocated limits	15.00	15.00	[ICRA]BBB+(Stable)/[ICRA]A2; Reaffirmed
Total	135.00	135.00	

*Instrument details are provided in Annexure I

Rationale

The ratings reaffirmation favourably factors in NSPR Constructions (India) Pvt. Ltd's (NSPR) established track record of over two decades in executing road construction works, comfortable financial risk profile with moderate leverage (TOL/TNW) of 1.21 times as on March 31, 2022 and interest coverage of 15.54 times for FY2022 owing to low debt levels. The ratings consider its adequate liquidity position with low utilisation of working capital limits and availability of surpluses from its operational build operate transfer (BOT) annuity road projects. NSPR received Rs. 55.74 crore as inter-corporate deposits (ICD) from its debt-free special purpose vehicles (SPVs) as on March 31, 2022. These SPVs are yet to receive annuities cumulatively amounting to Rs. 65 crore as of October 2022 from Andhra Pradesh Road Development Corporation (APRDC). Timely realisation of these funds can substantially improve the company's liquidity position and remains a key rating monitorable.

The ratings are, however, constrained by the modest scale of operations and limited order book, which is expected to result in contraction in revenue in FY2023. NSPR's ability to secure new projects and improve its order book position remains a key rating monitorable in the near term. Moreover, it faces high project concentration risk with top three projects accounting for ~90% of the order book as on August 31, 2022. The ratings are constrained by high sectoral concentration as the order book mostly comprises road works and high geographical concentration risk with the entire order book limited to four states.

The Stable outlook reflects ICRA's opinion that NSPR will be able to execute its order book in a timely manner, along with timely receipt of payments and adequate liquidity position.

Key rating drivers and their description

Credit strengths

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. Of these, four projects have completed the concession period already, while NSPR KP Road Projects Private Limited is operational and its concession period will end by June 2024.

Comfortable financial risk profile – NSPR has a comfortable financial risk profile as reflected by low gearing of 0.57 times as on March 31, 2022, and interest coverage ratio of 15.54 times for FY2022 owing to low debt levels. The total debt is Rs. 69.95 crore as on March 31, 2022 and primarily comprises interest-free ICDs of Rs. 55.74 crore from its SPVs.

Adequate liquidity position supported by unencumbered surpluses from its SPVs – The company's liquidity position is adequate, as reflected by moderate working capital limit utilisation of 48% in the past 12 months ending July 2022. The SPVs generate significant surplus after meeting their operational expenditure, which is up-streamed to the parent entity in the form

of interest-free ICDs. The SPVs are yet to receive around Rs. 65 crore of annuities, which are due as on August 31, 2022. In addition, Rs. 37.4 crore of annuity are to be received (which are not due as on date) from its operational SPV (NSPR KP Road Projects Private Limited), whose concession period ends in June 2024.

Credit challenges

Modest revenue visibility – Although the company has added orders of Rs. 65.2 crore in FY2022 and Rs. 408.1 crore in H1 FY2023, the order book remains low at Rs. 540.41 crore as on August 31, 2022 adjusted for slow-moving orders. The OB/OI ratio is low at 1.78 times, providing limited revenue visibility. NSPR's ability to secure new projects and improve its order book position remains a key rating monitorable in the near term. Consequently, the company's revenue is expected to decline to ~Rs. 250 crore in FY2023 from a turnover of Rs. 302.7 crore in FY2022.

High order book concentration – The company has high project concentration with top three projects accounting for ~90% of the total order book as on August 31, 2022. The newly awarded road project in Tamil Nadu by TATA Projects Limited accounts for 53% of the order book. Any slowdown in project execution may result in lower billing for the company. Also, the order book has a high sectoral concentration with orders primarily related to road construction and development.

Moderate scale of operations – NSPR's scale of operations continues to be moderate with revenues of Rs. 302.69 crore in FY2022, which increased by 14% from Rs. 264.84 crore in FY2021 owing to improved order execution after the pandemic. However, the revenues are expected to decline to around Rs. 250 crore in FY2023 due to low order book position.

Exposed to intense competition which keeps margins under check – The civil construction segment is characterised by intense competition due to 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, putting pressure on the margins. Further, the margin is exposed to volatile raw material prices, although the built-in price variation clause in the contracts mitigates the risk to an extent. The operating margins continue to be moderate at 6.6% in FY2022 with the company subcontracting 35% of the works in FY2022.

Liquidity position: Adequate

NSPR's liquidity position is adequate, as reflected by moderate working capital limit utilisation of 48% in the past 12 months ending in July 2022. The debt repayment in FY2023 is Rs. 1.8 crore, which can be comfortably met through its cash flow from operations. Also, NSPR gets liquidity support in the form of ICDs from its subsidiaries, which generate surplus after meeting the operational expenditure.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the company demonstrates a significant improvement in its scale of operations, along with improvement in its order book position. Further, improvement in its profitability and liquidity position, on a sustained basis, would 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 stretch in the working capital cycle weakens the liquidity position. Further, any delay in order addition resulting in limited revenue visibility could exert pressure on the ratings. Additionally, any sizeable debt-funded capex or sizeable 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 Rating Methodology for Construction Entities
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Founded in 1990 as a partnership firm, NSPR Constructions is involved in 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 as NSPR Constructions India Private Limited (NSPR). The company is promoted by Mr. N. Siva Prakash Reddy, who has more than two decades of experience in executing road projects. NSPR has undertaken five BOT (annuity) projects under five SPVs namely, NSP Variegate PP Road Projects Private Limited, NSP BVSR 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). Of these, four of them have completed the concession period and only NSPR KP Road Projects Private Limited is operational.

Key financial indicators (audited)

	FY2021	FY2022
Operating income (Rs. crore)	264.84	302.69
PAT (Rs. crore)	9.9	10.5
OPBDIT/OI (%)	6.74%	6.63%
PAT/OI (%)	3.74%	3.47%
Total outside liabilities/Tangible net worth (times)	1.14	1.21
Total debt/OPBDIT (times)	3.35	3.49
Interest coverage (times)	6.54	15.54

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation;

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Type	Current Rating (FY2023)			Chronology of Rating History for the Past 3 Years			
			Amount Rated (Rs. crore)	Amount Outstanding as on Oct 30, 2022 (Rs. crore)	Date & Rating in Nov 18, 2022	Date & Rating in FY2022 Oct 07, 2021	Date & Rating in FY2021 Aug 20, 2020	Date & Rating in FY2020 April 09, 2019	
1	Cash credit	Long-term	9.50	NA	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	
2	Non-fund based	Long-Term/Short Term	110.50	NA	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2	
3	Unallocated	Long Term/Short Term	15.00	NA	[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 instrument

Instrument	Complexity Indicator
Fund-based – Cash credit	Simple
Non-fund based	Very Simple
Unallocated limits	Not Applicable

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 / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash credit	-	-	-	9.50	[ICRA]BBB+ (Stable)
NA	Non-fund based	-	-	-	110.50	[ICRA]BBB+(Stable) / [ICRA]A2
NA	Unallocated	-	-	-	15.00	[ICRA]BBB+(Stable) / [ICRA]A2

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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