

NNB Engineers Private Limited

Instrument	Amount	Rating Action
Fund-based limit – Cash Credit	Reduced to Rs. 1 crore from Rs. 4 crore	[ICRA]B+ reaffirmed
Non-fund based limit – Bank Guarantee	Reduced to Rs. 10 crore from Rs. 16 crore	[ICRA]B+ reaffirmed
Unallocated limit	Rs. 9 crore	[ICRA]B+ assigned

ICRA has reaffirmed the [ICRA]B+ (pronounced ICRA B plus) rating for the Rs. 1-crore¹ (reduced from Rs. 4 crore) cash credit and Rs. 10-crore (reduced from Rs. 16 crore) non-fund based bank limits of NNB Engineers Private Limited (NNB; erstwhile Nav Nirman Builders and Developers Private Limited)². ICRA has also assigned the [ICRA]B+ rating to the Rs. 9.00-crore unallocated line of credit of NNB.

The rating reaffirmation takes into consideration the intense competition in the construction business, characterised by the presence of a large number of players along with a tender-based contract-awarding system, which keep margins under check. The company is also exposed to significant client and geographical concentration risks, as a major portion of the revenue is generated from a few government departments in Jharkhand. The company has dependence on creditor funding to manage working capital requirement, which kept its total outside liabilities relative to net worth ratio at a high level over the past few years. The rating is also constrained by a slow progress of a number of ongoing projects along with a modest booking status of the real estate project undertaken by the company, which may adversely impact its turnover and cash flows in the near to medium term. ICRA also notes that during FY2016, the company's operating margin declined significantly due to a sizeable amount of penalty imposed by its customers for a delay in contract execution. The rating, however, continues to factor in the moderate experience of the promoters in the construction business in Jharkhand, its low gearing and comfortable debt coverage metrics. The company achieved a significant turnover growth during FY2016 aided by higher execution of spilled-over projects; though its scale of operations still stands at a modest level. NNB's current order-book position renders revenue visibility in the near term. However, augmentation of the order-book would remain critical to its future growth.

The company's ability to strengthen its order-book position and timely execution of the contracts would remain the key rating sensitivity, going forward.

Company Profile

Incorporated in 2004, the company is involved in executing civil (mainly road, canal, bridge) construction contracts. It is also constructing a residential real estate project in Jamshedpur, Jharkhand. At present, the entire operations of the company are in Jharkhand and it primarily undertakes Government contracts. The company has a group entity, Nav Nirman Builders, which was started in 1986 and since then has been engaged in the business of material handling for various infrastructure-based companies in Jharkhand.

The company's name has been changed to 'NNB Engineers Private Limited' (NNB) from the erstwhile 'Nav Nirman Builders and Developers Private Limited' with effect from June 16, 2015.

Recent Results

In FY2016, NNB reported a net profit of Rs. 1.73 crore on an operating income of Rs. 39.20 crore compared to a net profit Rs. 0.93 crore on an operating income of Rs. 25.38 crore in FY2015.

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¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



For further details please contact:

Analyst Contacts:

Mr. Jayanta Roy, (Tel. No. +91-33-22876617 / 22800008)
jayanta@icraindia.com

Mr. Sujoy Saha (Tel. No.+91 33 7150 1184)
sujoy.saha@icraindia.com

Mr. Sumit Jhunjunwala (Tel. No. +91 33 7150 1111)
sumit.jhunjunwala@icraindia.com

Mr. Sovanlal Biswas (Tel. No. +91 33 7150 1181)
sovanlal.biswas@icraindia.com

Relationship Contacts:

Mr. Jayanta Chatterjee (Tel. No. +91-80-43326401)
jayantac@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500