



NKG Infrastructure Limited

Instrument	Amount (Rs. Crore)	Rating Action
Fund-based Limits	25.00	[ICRA] A- (stable); assigned

ICRA has assigned [ICRA]A- (pronounced ICRA A minus) rating to Rs. 25 crore bank lines of NKG Infrastructure Limited (NKG). The rating carries a stable outlook.

ICRA's rating factors in NKG's long and established track record in construction business, its reputed and diversified customer base consisting mainly of public sector clients, its track record of successfully executing large projects across various segments (roads, bridges, buildings, electrical, hydro power, solar power, water and sewer) and its geographically diversified operations, with experience of managing projects in 15 states through eight regional offices in India.

The rating also factors in NKG's comfortable financial profile, characterised by stable operating level profitability (~9.5% in FY14; provisional), low gearing (0.62x as on March 31, 2014; provisional) and healthy debt coverage indicators (Total Debt/OPBIDTA of 2.2x and FFO/interest of 3.7x in FY14; provisional). ICRA's rating also derives comfort from healthy and stable inflows from company's 10MW solar power plant in Gujarat, which have been supplementing the cash flows from construction business. ICRA believes NKG's cash flow from operations would be adequate to meet the repayments due in medium term.

The rating is, however, constrained by consistent decline in company's order book, which besides resulting in variability in its revenues has also adversely impacted the revenue visibility over the medium term. The rating is also constrained by high concentration of NKG's current order book on a single project i.e. National Building Construction Corporation's (NBCC) East-Kidwai Nagar re-development project in Delhi, as the same accounts for more than 45% of total work in hand as on June 30, 2014. Project concentration risk gets further accentuated by the fact that this project is currently facing delays in removing encroachments, which may impact company's cash flows. The average utilisation of NKG's working capital limit has remained high on account of elevated working capital intensity and reduction in working capital limits in FY14; thus the company's ability to contain its working capital requirements will be crucial for improving the fund flow from operations and maintaining its financial flexibility. The rating further takes into account anticipated sluggish activity in infrastructure sector in short-term and high competitive intensity in the construction industry due to low entry barriers and limited capital requirements.

Going forward, the ability of the company to improve its order book position while maintaining its profitability, working capital intensity, and borrowing levels will be the key rating sensitivities.

Company's Profile

NKG Infrastructure Limited (NKG) was incorporated in 1987 as N.K. Garg and Company Private Limited and its name was changed to NKG Infrastructure in 2005. It is a closely held company with entire shareholding with promoters and their group companies. NKG is an ISO 9001:2000 certified Construction Company and has been registered as a Grade A civil contractor in the states of Uttar Pradesh, Uttarakhand and Madhya Pradesh. The company executes work mainly for public sector clients. NKG has also established a 10 MW solar power plant in Gujarat which became operational in March 2012.



Recent Results

As per provisional financials, NKG Infrastructure Limited (NKG) reported operating income of Rs. 1836.39 crore and net profit of Rs. 67.33 crore in FY2014 as against operating income of Rs. 1515.30 crore and net profit of Rs. 67.75 crore in FY2013.

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