



Press Release

M/s Niranjani Rai

November 4, 2024

Ratings

Instrument Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	35.00 (increased from Rs.25.00 crore) (including proposed limit of Rs. 5.00 crore)	IVR BBB/ Stable (IVR triple B with Stable outlook)	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	Upgraded	Simple
Short Term Bank Facilities	65.00 (increased from Rs.50.00 crore)	IVR A3+ (IVR A plus three)	IVR A3 (IVR A three)	Upgraded	Simple
Total	100.00 (INR one hundred crore only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3

Detailed Rationale

The upgrade in the ratings assigned to the bank facilities of M/s Niranjani Rai is on account of increase in the topline and profits during FY2024 (FY24 refers to the period from April 1, 2023 to March 31, 2024). Further, the ratings also continue to derive strength from its track record of operations under experienced proprietor, reputed clientele base with revenue visibility backed by its healthy order book. The ratings also favourably factor in its comfortable capital structure with satisfactory debt protection metrics. However, these rating strengths are constrained due to constitution risk being proprietorship concern, tender driven nature of operation, exposure of profitability to price fluctuation of the commodities required for construction and concentration risk being operational in Bihar and Jharkhand only.

The outlook of the concern is expected to remain stable as it is supposed to benefit from the long experience of the proprietor, healthy order book and favourable industry outlook.



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Infomerics has also withdrawn the outstanding Short-term rating of 'IVR A3' assigned to the proposed bank guarantee facility of M/s Niranjana Rai with immediate effect. The withdrawal has been taken at the request of concern. The ratings are withdrawn in accordance with Infomerics' policy on withdrawal. Link to the withdrawal policy is provided below.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of operations with improvement in profitability leading to improvement in debt protection metrics and liquidity on a sustained basis
- Sustenance of the capital structure with improvement debt protection metrics

Downward Factors

- Moderation in revenue and/or moderation in profitability impacting the gross cash accruals on a sustained basis
- Moderation in the capital structure with overall gearing ratio deteriorated and deterioration in interest coverage ratio
- Stretch in timely receipts of contract proceeds impacting the liquidity leading to deterioration in working capital management and resulting in heavy utilisation of the existing limits

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Increase in the topline and profits during FY24

The company witnessed significant improvement in its total operating income to Rs. 284.72 crore in FY24. With the increase in topline, the EBITDA margin has improved to 6.43% in FY24 from 6.18% in FY23 (FY23 refers to the period from April 1, 2022 to March 31, 2023) driven by execution of few higher margin contracts. Further, PAT margin has also improved 5.26% in FY24 from 4.28% in FY23 due to improvement in its scale of operation leading to higher absorption of fixed overheads. In H1FY24, the concern achieved a revenue of Rs. 134.64 crore.



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Experienced proprietor and established relationship with the customers

Mr. Niranjan Rai has an experience of 15 years in the field of civil construction and has completed many projects for state government of Bihar and Jharkhand. His established track record has helped him bag contracts.

Heathy order book position indicating revenue visibility and less counterparty risk

The concern has an unexecuted order book position as on September 30, 2024, of Rs. 613.36 crore in hand that is to be executed within a span of 18-24 months, which is around 2.15x the current revenue of FY24 thus providing revenue visibility in near to medium term. The concern executes the contract for the Government of Bihar and Jharkhand thereby indicating minimal counterparty risk.

Comfortable capital Structure and satisfactory debt protection metrics

The capital structure of the concern had remained comfortable with its satisfactory net worth base of Rs. 37.70 crore supported by accretion of profits to tangible net worth as on March 31, 2024. Further, the overall gearing ratio moderate to 0.72x in FY 24 from 0.25x in FY23. The overall indebtedness of the company marked by adjusted TOL/TNW deteriorated to 1.98x in FY24 from 1.62x in FY23 mainly due increase in bank borrowing to Rs. 17.71 crore in FY24 from Rs. 0.75 crore in FY23. Also, debt to equity ratio moderated marginally to 0.25 in FY24 as against 0.23 in FY23. The debt protection metrics marked by interest coverage ratio stood comfortable at 6.91x in FY24 as compared to 3.92x in FY23.

Key Rating Weaknesses

Tender driven nature of operation and presence in competitive industry

The concern bags the contract through participating in tenders. Further, the operating spectrum is competitive due to presence of various organized and unorganized players and established player which may dampen margins.

Profitability susceptible to volatile raw material prices

The concern mainly requires steel and cement for execution of its contracts. The prices of both the items are highly fluctuating in nature. Though the contracts of the concern have in-build



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escalation clause it may not arrest the sharp movement in commodity prices and may affect the profit margins of the concern.

High geographical concentration risk

The concern is exposed to geographical concentration risk due to its limited geographical presence mainly in Bihar and Jharkhand only.

Risk related to constitution of the concern

Given the concern constitution as a proprietorship entity, it remains exposed to discrete risks, including the possibility of withdrawal of capital by the proprietor and the risk of dissolution of the concern upon the death, retirement, or insolvency of proprietor. Also, there is risk related to the disclosure of the information.

Analytical Approach: Standalone.

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

[Policy on default recognition](#)

[Complexity level of rated Instruments/Facilities](#)

[Policy On Withdrawal of Ratings](#)

Liquidity – Adequate

The liquidity position of the company is expected to remain adequate marked by its expected adequate gross cash accruals against its debt repayment obligations during FY25- FY27. The company has earned a gross cash accrual of Rs.16.22 crore in FY24 against debt repayment obligation of Rs.3.18 crore. Further, the average cash credit utilisation of the company in the past 12 months ended in August 2024 remains at ~60% indicating adequate liquidity buffer.

About the concern



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Established in 2008, M/s Niranjana Rai is a proprietorship concern with one Mr. Niranjana Rai as a proprietor. The concern is engaged in works contract and government contract. The concern is Class A contractor and is involved in the business of civil construction. The concern is mainly executing the contract for State Government of Jharkhand and State Government of Bihar.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	162.79	284.72
EBITDA	10.05	18.31
PAT	7.00	15.01
Total Debt	8.90	27.30
Tangible Net Worth	35.93	37.70
EBITDA Margin (%)	6.18	6.43
PAT Margin (%)	4.28	5.26
Overall Gearing Ratio (x)	0.25	0.72
Interest Coverage (x)	3.92	6.91

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/ Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					(August 30, 2023)	(July 07, 2022)	-
1.	Cash Credit	Long Term	30.00	IVR BBB/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	-
2.	Proposed Cash Credit	Long Term	5.00	IVR BBB/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	-
3.	Bank Guarantee	Short Term	65.00	IVR A3+	IVR A3	IVR A3	-
4.	Proposed Bank Guarantee	-	-	Withdrawn	IVR A3	IVR A3	-



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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Instrument/Facility Details

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit I	-	-	-	-	10.00	IVR BBB/ Stable
Cash Credit II	-	-	-	-	20.00	IVR BBB/ Stable
Proposed Cash Credit	-	-	-	-	5.00	IVR BBB/ Stable
Bank Guarantee I	-	-	-	-	20.00	IVR A3+
Bank Guarantee II	-	-	-	-	45.00	IVR A3+

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-NiranjanRai-nov24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.