



Press Release

Nandhra Engineering & Construction (SPV) Private Limited

March 04, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	31.23	IVR BB+/Stable [IVR Double B Plus with Stable outlook]	IVR BB+/Stable [IVR Double B Plus with Stable outlook]	Rating reaffirmed	Simple
Total	31.23	[Rupees thirty-one crore and twenty-three lakh 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

Infomerics Ratings has reaffirmed its rating assigned to the bank facilities for the long-term facilities to IVR BB+ with stable outlook of Nandhra Engineering & Construction (SPV) Private Limited (Nandhra).

The rating reaffirmation is on account of experienced promoters with high execution capabilities along with benefits derived from annuity-based revenue model. The ratings continue to draw comfort from low counterparty risk and waterfall mechanism in Escrow account and availability of DSRA Mechanism. However, these rating strengths are partially offset by exposure to project implementation risk with rescheduled COD along with annuity payment receipts from authority coupled with stiff competition and contract awarding system.

The 'Stable' outlook reflects expected increase in scale of operations along with profitability on account of commencement of annuity payment. Infomerics believes the company will continue to benefit from its operational track record in the business resulting in increased scale of operations.

Infomerics Ratings has principally relied on the standalone audited financial results of Nandhra up to 31 March 2024 (refers to period April 1st, 2023, to March 31st, 2024) and projected cashflow for FY2025 (refers to period April 1st, 2024, to 2 March 31st, 2025) - FY2027 (refers to period April 1st, 2026, to March 31st, 2027), and publicly available information/ clarifications provided by the society's management.

Key Rating Sensitivities:

Upward Factors



Press Release

- Timely receipt of annuities and lower than expected operating cost, resulting in further improvement of DSCR

Downward Factors

- Significant increase in O&M and major maintenance costs.
- Significant or continued delays in annuity and interest receipts from PWD.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters with high execution capabilities**

NEC is promoted by Nandhra Engineering and Construction Company Limited (NECC). NECC is Tanzania based civil contractors, promoted by Mr. Iqbal Singh Nandhra and Gutej Singh Nandhra. NECC is engaged in the construction of Residential Buildings, Warehouses, Low-cost houses, Health Centers/ Hospitals, sheds and also in Civil Engineering Projects such as Parking roads, Drainages, Excavation works, etc. and hold sufficient experience in same line of business. NECC has undertaken over 60 projects over the years for established clients like British Petroleum, various Ministries of the Government of Tanzania and Maldives.

- **Benefits derived from annuity-based revenue model**

The project being developed has an annuity-based revenue model. Under this model, the Government of Maharashtra makes bi-annual payments over the concession period to the concessionaire. The project also benefited from receipt of mobilization advance to the tune of 10% of the total bid project cost (BPC) post the receipt of appointment date. To be precise, the favourable clauses of the model include lower sponsor contribution due to high proportion of grant, inflationary adjustment to project cost and O&M cost, disbursement of grant in instalments upon achievement of various milestones and payment of



Press Release

interest by PWD on reducing balance of final construction cost at bank rate plus 3%, as a part of the annuity.

- **Low counterparty risk**

The project is being executed for PWD, Govt. of Maharashtra. The state's economy continues to be the largest state economy of the country. The state continues to be fairly self-reliant with nearly 70% of its revenue's receipts being accounted from its own sources. Thus, the risk arising from PWD defaulting on the annuity payments is low.

- **Waterfall mechanism in Escrow account and Availability of DSRA Mechanism**

NEC has a waterfall mechanism through which cash flows in form of annuity from the authority is routed and used for payment of the term debt availed. It ensures the annuity receivables are escrowed to meet the principal payment and interest payments. As per the sanction condition, the company to create DSRA for 6 months debt servicing requirement (interest and principal payment) after achieving the DCCO (Date of Commencement of Commercial Operations) in the form of FDRs/FCNRs. DSRA will be topped up periodically on a continual basis to cover the one principal instalment & interest servicing for next 6 months from project cash flows, till the currency of bank advance.

A. Key Rating Weaknesses

- **Exposure to project implementation risk with rescheduled COD**

The EPC of the said project will be done in-house, the Company is exposed to inherent construction risk attached to EPC projects. Construction support from the government entity in the form of grants shall be on the physical progress of the project, i.e. on milestone basis. Any delays in meeting the milestone achievement shall lead to cost overruns and added penal charges. However,



Press Release

the group has a successful history in timely completion of its orders while ensuring utmost quality and the current project is running as per schedule.

The project's COD was earlier extended from March 24, 2021, to September 8, 2021 due to Covid related restrictions which affected project execution. Thereafter, the COD has been extended by PWD, Maharashtra four time, i.e., to June 30, 2022, then to December 31, 2023, then to October 31, 2023, and then to January 31, 2024, and then extended to March 31, 2024, due to change in scope of the project, monsoon related challenges and labour shortage. As per the copy of certificate dated March 31, 2024, the work up to PCOD has been completed.

- **Annuity Payment receipts from Authority**

The project is completed on March 31, 2024. As per the concession agreement, the company is expected to receive a semi-annual annuity. Any delay in timely receipt of the annuity could adversely impact debt-servicing ability. The risk is partly mitigated by continuous infusion of funds by the sponsor for meeting obligations. Timely receipt of the upfront grant amounts and annuity payments from Public Work Departments, Government of Maharashtra remains a key rating sensitivity.

- **Stiff competition and contract awarding system.**

Given the increase focus for HAM projects, the entity faces competition from other contractors while bidding and securing the contracts. The industry is intensely competitive on account of its fragmented nature of presence of mid-large players. The bid project cost-based contract awarding system also restricts the pricing flexibility of all players in the form of construction

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)



Press Release

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

Liquidity of the company is expected to remain adequate. The project is currently under construction and the funding for the cost of project has been tied up. The company will start receiving annuities from PWD after the construction of project. The waterfall mechanism will ensure that annuity receivables will be escrowed to meet the principal repayment and interest payments. Company's entire annuity payments from PWD and other receipts relating to their activity is being deposited in the financing bank and routed through Escrow Account. The unencumbered cash and bank balance stood at Rs. 7.58 crore as on March 31, 2024.

About the Society

Incorporated in December 2018, Nandhra Engineering and Construction (SPV) Private Limited (NEC) is a SPV of Nandhra Engineering and Construction (India) Private Limited (NECC) incorporated on 2017, which has entered into 10 year Concession Agreement (excluding the construction period of 730 days from appointed date) with PWD, Government of Maharashtra for development and maintenance of a road project on hybrid annuity model (HAM) basis for road Joining two Taluka places in Akola and Buldhana District (Warwand undri Ambe Takali Balapur, Maharashtra. SH- 274 & SH-269 with a project design length of 69.552 Kms. The project entails Rehabilitation, Up-gradation and Widening of the existing carriageway to Four-lane standard with construction of new pavement, rehabilitation of existing pavement, construction and / or rehabilitation of major and minor bridges, culverts, road intersections, interchanges, drains etc.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	49.70	26.37
EBITDA	7.31	6.59
PAT	1.40	0.97
Total Debt	92.04	31.51
Tangible Net Worth	7.45	77.96



Press Release

EBITDA Margin (%)	14.72	24.98
PAT Margin (%)	2.81	3.68
Overall Gearing Ratio (x)	12.35	0.40
Interest Coverage (x)	1.93	1.62

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: None

Any other information: Not applicable

Rating History for last three years:

Sr. No	Name of Security/Facilities	Current Ratings (Year 2024-2025)			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
					December 08, 2023	September 12, 2022	June 14, 2021
1.	Fund Based Limits	Long Term	31.23	IVR BB+/Stable	IVR BB+/Stable	IVR BBB-/Stable	IVR BBB-/Stable

Analytical Contacts:

Name: Vipin Jindal
 Tel: (011) 45579024
 Email: vipin.jindal@infomerics.com

About Infomerics:

Infomerics Valuation And Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] 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).



Press Release

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.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating 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/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Facility – Term Loan	-	-	-	April 2028	31.23	IVR BB+/Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Nandhra-Engineering-mar25.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.