

## BNR Infrastructure Projects Private Limited

December 10, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term / Short Term Bank Facilities	70.00	CARE BBB-; Stable / CARE A3 (Triple B Minus; Outlook: Stable/ A Three)	Assigned
Short Term Bank Facilities	30.00	CARE A3 (A Three)	Assigned
<b>Total Bank Facilities</b>	<b>100.00</b> <b>(Rs. One Hundred</b> <b>Core Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of BNR Infrastructure Projects Pvt Ltd derive strength from the operational track record of the company with timely execution of order and collection of receivables, established market position in execution of public contracts, moderately strong order book and experience of promoters in the construction business.

The ratings are however constrained due to the small scale of operations with orders restricted to a few Tamil Nadu government departments, tender based execution of transactions and working capital intensive nature of operations.

### Rating Sensitivities

#### Positive Factors

- Increase in scale of operations above Rs.200 crore.
- Increase in profitability thereby improving the net worth base.

#### Negative Factors

- Decline in PBILDT margin below 7.00%.
- Significant increase in operating cycle leading to increased borrowings and deterioration of capital structure.

### Detailed description of the key rating drivers

#### Key Rating Strengths

##### Experienced promoters and established track record of operations

The promoters have experience of nearly four decades in civil Construction industry. The company is headed by Mr. B Venugopal Reddy since 1979. During his tenure the firm has grown in size while establishing itself in the Engineering, Procurement and Construction (EPC) business. In 2011, Mr. Charan Prasad Boya, son of Mr. Venugopal Reddy, a management degree graduate from Stanford University joined the company's executive team to lead its growth and diversification efforts. The vast experience of the firm has given them an understanding of the dynamics of the market and enabled them to establish relationships with suppliers and customers.

##### Improved scale of operations and comfortable order book position

The order book size has increased from ~Rs.250 crore in beginning of FY20 to about ~Rs.490 crore in FY21. The current order book to operating income ratio stands healthy at 4.58x providing revenue visibility over the medium term. On the backdrop of increase in order book the scale of operation has increased by ~47% from Rs.73 crore in FY2017 to Rs.107 crore in FY21. The company has billed orders to the tune of Rs.80.6 crore as of Sep 30, 2021. These orders are likely to be executed majorly in FY2022 & FY2023. The company is expected to sustain its profitability and cash accruals over the next 2-3 years based on the said order book position.

##### Healthy capital structure and debt coverage indicators

Overall gearing remained comfortable at 0.51x (PY: 0.46x) for the year ending March 31, 2021, however, was marginally higher as compared to the previous year due to higher mobilisation advance, which is interest free. The overall gearing has moderated to 1.10x in 6MFY2022 primarily due to the mobilisation advance obtain for project at Kilpauk medical college, which would be offset against the billings from the project and also due to higher overdraft utilisation as of Sep 30, 2021. Debt coverage indicators also remained comfortable with total debt/ GCA of 2.44x (PY:1.87x) as on March 31, 2021.

#### Key Rating Weaknesses

##### Working capital intensive nature of business; however comfortable operating cycle

The company has to keep retention money of 5% for the work in progress projects which gets released in around 6 months to 12 months after completion of the project and varies from project to project. The company primarily utilises BG facilities availed from banks for providing both performance and bid security guarantees. The management has indicated that the receivables outstanding of Rs.10.21 as of September 30, 2021 crore has been collected as on November 24, 2021.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE publications

### Regional and customer concentration risk

The firm is exposed to sectoral and customer concentration risks with a major portion of revenues derived from construction contracts from a few customers such as TNHB, CMRL and CMDA, TNSCB etc. With operations primarily centred in Chennai and Tirupathi, the geographical concentration risk also remains high.

### Established client portfolio consisting of majorly government bodies

The company has been able to secure orders from government bodies mainly because of its established track record of construction of variety of buildings and pavement works in the past, especially public sector undertakings such as Thirumala Tirupati Devasthanam, Tamil Nadu Housing Board (TNHB), Tamil Nadu Slum Clearance Board (TNSCB). This has resulted in low counterparty credit risk and the company has been able to secure profitable contract from these parties over the years (through tender based bidding system).

### Liquidity – Adequate

As on March 31 2021, the company maintained a cash and cash equivalents of Rs.2.31 crore in current accounts and Rs.1.44 crore in deposit accounts. During FY21, the Operating cycle has remained comfortable at 55 days (PY:69 days). The receivables balance has increased from March 31, 2021 which was about Rs.8.71 crore to Rs. 10.21 crore, however the same has currently been collected as indicated by the management as of November 24, 2021. The company has minimal utilization of the OD limits of Rs.17 crore with an average utilization of 5.04%, however the BG limits have been utilized to the maximum of about 80% over the last 12 months. As on March 31, 2021, the company has maintained a current ratio of 2.28x and it has remained above unity in the past four years.

**Analytical approach:** Standalone

### Applicable Criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short term instruments](#)

[Methodology Construction companies](#)

### About the Company

BNR Infrastructure Projects Pvt Ltd (BIPL) was founded in 1971 by Mr. Nadamuni Reddy as a small contracting firm in the temple town of Tirupathi, later the firm in 2012 -13 was converted and incorporated as BNR Infrastructure Projects Private Limited. The firm is currently headed by Mr. B Venugopal Reddy since 1979 and by his son Mr. Charan Prasad Boya since 2011. The company undertakes civil construction works mainly in Tamil Nadu (TN).

### Financial Performance - Standalone

(Rs. crore)

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	6MFY22(P)
Total operating income	97.69	107.97	80.93
PBILDT	9.92	10.93	7.70
PAT	6.20	6.28	4.80
Overall gearing (times)	0.46	0.51	1.10
Interest coverage (times)	25.43	10.51	33.71

A: Audited P: Provisional

**Status of non-cooperation with previous CRA:** ICRA has downgraded rating of the bank facilities of BNR Infrastructure Projects Pvt Ltd and moved the same to issue non-cooperating category via press release dated January 29, 2021, because of lack of adequate information regarding its performance.

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Complexity level of various instruments rated for this company:** Annexure -3

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-4

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - LT/ ST-Bank Guarantees		-	-	-	70.00	CARE BBB-; Stable / CARE A3
Fund-based - ST-Bank Overdraft		-	-	-	30.00	CARE A3

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST*	70.00	CARE BBB-; Stable / CARE A3	-	-	-	-
2	Fund-based - ST-Bank Overdraft	ST	30.00	CARE A3	-	-	-	-

\*ST/LT – Short term/Long term

**Annexure 3: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - ST-Bank Overdraft	Simple
2	Non-fund-based - LT/ ST-Bank Guarantees	Simple

**Annexure-4: Detailed explanation of covenants of the rated instrument / facilities:** Not Applicable**Annexure 5: Bank Lender Details for this Company**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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