

## Blueleaf Projects Private Limited

August 29, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	7.00	CARE BB; Stable	Reaffirmed
Short Term Bank Facilities	14.90 (Enhanced from 9.90)	CARE A4	Reaffirmed
Long Term Bank Facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to bank facilities of Blueleaf Projects Private Limited (BPPL) continue to be constrained by moderate scale of operations with moderate and concentrated order book position, profitability margins susceptible to fluctuation in raw material prices and tender driven nature of business with highly competitive industry. The ratings however derive strength from experienced promoters, comfortable capital structure and debt coverage indicators.

CARE Ratings Limited (CARE Ratings) has withdrawn the rating assigned to the term loan of BPPL with immediate effect, as the company has repaid the aforementioned term loan in full and there is no amount outstanding under the facility as on date.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Ability to scale up operations to over ₹ 150.00 crore while maintaining profit before interest, lease rentals, depreciation and taxation (PBILDT) margin of over 9% on a consistent basis
- Ability to geographically diversify order book and improve orderbook position of over 2.00x of turnover

#### Negative factors

- Any sizable decline in the scale of operations with income below ₹ 100 crore
- Any major debt funded capex plan leading to deterioration in gearing above 2.00x

### Analytical approach: Standalone

#### Outlook: Stable

The stable outlook by CARE Ratings reflects that the company is expected to maintain stable operations with a comfortable capital structure with no major capex in future and extensive experience of the promoters in the industry.

### Detailed description of the key rating drivers:

#### Key weaknesses

**Moderate scale of operations with concentrated order book:** The company had reported revenue of ₹ 121.68 crore in FY24 (refers to the period April 01 to March 31) against ₹ 105.81 crore in FY23. Though improved, the scale of operations of the company remains moderate within the range of ₹ 105.10 crore to ₹ 141.36 crore in the last 4 years ended FY24. The company has an outstanding orderbook of ₹ 283.30 crore (2.33 times of FY24 turnover) as on July 31, 2024, against ₹. 79.62 crore as on May 30, 2023 (0.75 times of FY23 revenue), with orders executable till September 2025, however these orders are geographically concentrated within the state of Tamil Nadu. The company has reported revenue of ₹ 27.00 crore during Q1FY24 (refers to period April 1 to June 30).

**Profitability margins are susceptible to fluctuation in raw material prices:** The cost of raw materials, such as cement, bricks, bitumen, sand, and steel, is a major driver of expenses and is highly volatile. This exposes the company's cost base to adverse price fluctuations. Consequently, the company's profit margins are susceptible to these fluctuations. Over the past four years ending FY24, the PBILDT margins have been volatile, ranging from 7.71% to 9.53%. However, the company has included price escalation clause for certain projects, which may help mitigate some of the volatility in profitability margins.

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

**Tender driven nature of business with highly competitive intensity:** The company receives majority of work orders from State Government of Tamil Nadu. All these are tender-based, and the revenues are dependent on the company's ability to bid successfully for these tenders. Profitability margins come under pressure because of the competitive nature of the industry. BPPL operates in a highly fragmented and competitive industry having a presence of many medium-sized players. Also, the presence of big-sized players with an established track record and network results in intense competition in the industry.

### Key strengths

**Experienced promoters:** The company was established as a partnership firm in name of Sree Balaji Associates in the year 2003 and was promoted by Mr. E. Saravanan and Mr. K. S. Eswaramoorthy. Mr. E. Saravanan holds his bachelor's degree and has more than two decades of experience in the civil construction industry. Due to long presence in the market, the promoter has established good relationship with suppliers and has been able to get regular orders from the government and private organizations.

**Comfortable capital structure and debt coverage indicators:** The capital structure, indicated by an overall gearing ratio, stood comfortable at 0.66x as of March 31, 2024, compared to 1.30x as of March 31, 2023. The debt coverage indicators, marked by Total Debt/GCA, improved to 1.67x as of March 31, 2024, from 2.39x as of March 31, 2023, driven by an increase in net profits. The company does not avail any mobilization advances.

### Liquidity: Stretched

The company's liquidity is stretched, characterized by tightly matched accruals against repayment obligations, and low cash balance ₹ 0.25 crore as on March 31, 2024. The working capital cycle extended to 51 days during FY24 due to an increase in inventory days, attributed to higher unbilled inventory as of March 31, 2024. The company makes payments to suppliers within 30-45 days, while extends credit period for customers up to 60 days. The current ratio of the company stood at 1.57x as on March 31, 2024. The company has been sanctioned a fund-based working capital limit of ₹ 7.00 crore and the average utilisation of same stood at 80% for the last 12 months ended July 2024.

**Assumptions/Covenants:** Not applicable

**Environment, social, and governance (ESG) risks:** Not applicable

### Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Construction](#)

[Infrastructure Sector Ratings](#)

[Short Term Instruments](#)

### About the company and industry

#### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Construction	Construction	Civil Construction

BPPL (erstwhile Sree Balaji Associates) was established as in 2003 as a partnership firm and converted into private limited and renamed as Blueleaf Projects Private Limited on March 31, 2022. The company, located in Erode, Tamil Nadu was promoted by Mr. E. Saravanan and Mr. K. S. Eswaramoorthy. BPPL is engaged in civil constructions works viz. construction of buildings and roads for State government of Tamil Nadu and private bodies.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (P)	Q1 FY25 (P)
Total operating income	105.81	121.68	27.00
PBILDT	10.09	9.63	NA
PAT	6.88	7.46	NA
Overall gearing (times)	1.30	0.66	NA
Interest coverage (times)	12.61	8.26	NA

A: Audited P: Provisional NA: Not Available; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

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

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft		-	-	-	7.00	CARE BB; Stable
Fund-based - LT-Term Loan		-	-	July 2024	0.00	Withdrawn
Non-fund-based - ST-Bank Guarantee		-	-	-	14.90	CARE A4

#### Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Bank Overdraft	LT	7.00	CARE BB; Stable	-	1)CARE BB; Stable (20-Jul-23)	1)CARE BB; Stable (03-Jun-22)	-
2	Non-fund-based - ST-Bank Guarantee	ST	14.90	CARE A4	-	1)CARE A4 (20-Jul-23)	1)CARE A4 (03-Jun-22)	-
3	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE BB; Stable (20-Jul-23)	1)CARE BB; Stable (03-Jun-22)	-

LT: Long term; ST: Short term

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities – Not applicable****Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Bank Overdraft	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple

**Annexure-5: Lender details**

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

**Note on the complexity levels of the rated instruments:** CARE Ratings 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](mailto:care@careedge.in) for any clarifications.

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### About us:

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### Disclaimer:

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