

## BNR Infrastructure Projects Private Limited

November 28, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	25.00	CARE BB+; Stable	Assigned
Long Term / Short Term Bank Facilities	80.00 (Enhanced from 70.00)	CARE BB+; Stable / CARE A4	Rating removed from ISSUER NOT COOPERATING category and LT rating upgraded from CARE BB; Stable and ST rating reaffirmed
Short Term Bank Facilities	15.00 (Reduced from 30.00)	CARE A4	Rating removed from ISSUER NOT COOPERATING category and reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) had previously rated the bank facilities of BNR Infrastructure Projects Private Limited (BNR) as 'ISSUER NOT COOPERATING'. BNR has now cooperated by providing the necessary information for undertaking the review. The ratings assigned to the bank facilities of BNR are constrained by the moderate scale of operations which also witnessed a drop in FY24 due to slow movement of orders on hand, increased inventory and debtors' cycle.

The rating takes note of the comfortable order book position, however timely execution of the same would remain a monitorable. The ratings draw strength from the operational track record of the company and experience of promoters in the construction business.

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

#### Positive factors

- Increase in scale of operations above Rs 200 crores while sustaining the profit before interest, lease rentals, depreciation and taxation (PBILDT) margin above 10%.
- Total Debt (TD) / Gross Cash Accruals (GCA) below 3x.

#### Negative factors

- Decline in PBILDT margin below 8% on a sustained basis.
- Deteriorating Overall Gearing above 1x on a sustained basis.

### Analytical approach: Standalone

#### Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that in the medium term, BNR will maintain its credit profile based on the current order book position.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Regional and Customer Concentration Risk

The Company is exposed to sectoral and customer concentration risks with a major portion of revenues derived from construction contracts from a few customers such as Tamil Nadu Housing Board (TNHB), Chennai Metro Rail Limited (CMRL), Chennai

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

Metropolitan Development Authority (CMDA) and Tamil Nadu Slum Clearance Board (TNSCB) etc. With operations primarily centred in Chennai and Tirupathi, the geographical concentration risk also remains high. However, the addition of new non-government customers, as indicated by the current order book, is expected to mitigate the customer concentration risk in the future.

### **Slow progress in projects and high debtor days**

Operations are working capital intensive, with gross current asset days of 299 days in FY24 (PY: 218 days) marked by high debtor days and high inventory. Average collection days rose from 90 days in FY23 to 145 days in FY24. Average Inventory days rose from 42 days in FY23 to 79 days in FY24 largely on account of delay in execution and certification for the ongoing government projects.

### **Industry characterized by high competitive intensity**

BNR is a small sized construction contractor with a limited project profile and geography of operations. The industry profile is characterized by high competitive intensity and presence of contractors who bid aggressively. The aggressive bidding scenario has resulted in diminished opportunity for scale expansion while maintaining stable margins.

### **Key strengths**

#### **Experienced Promoters and established track record of operations**

The promoters have an experience of nearly four decades in Civil Construction industry. The company is headed by B Venugopal Reddy since 1979. During his tenure the company has grown significantly while building a reputation as a reliable constructing company. In 2011, Charan Prasad Boya, 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 company has given them an understanding of the dynamics of the market and enabled them to establish relationships with suppliers and customers.

#### **Improved order book ensures revenue visibility**

While the TOI has come down by nearly 25% in FY24, company could sustain the margin with improved tender pricing and optimized material sourcing. As on October 31, 2024, BNR has 8 ongoing projects with an unexecuted order book valued at Rs 787 crores, ensuring better revenue visibility with order book to sales ratio of 5.50x based on Total Operating Income (TOI) of March 2024. The order book includes government entities such as the Public Welfare Department (PWD) (14%), TNHB (13%) and Tirumala Tirupati Devasthanam (TTD) (17%), along with a few private companies.

### **Liquidity: Stretched**

The company's liquidity is stretched marked by unencumbered cash and bank balance of Rs 0.19 crore as of March 31, 2024 (PY Rs 0.34 crore). GCA days has increased to 299 days (PY: 218 days) and operating cycle stretched to 151 days (PY: 65 days) in FY24 on account of delay in execution and certifications of few projects leading to increased inventory and receivables levels as of March 2024. The average fund-based working capital utilization for the 12 months ending September 2024 stood at 22.47%. Company has gross cash accruals of ₹11.34 crores in FY24 and has no term debt obligations.

### **Applicable criteria**

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Construction](#)

[Infrastructure Sector Ratings](#)

[Short Term Instruments](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

BNR Infrastructure Projects Pvt Ltd (BNR) was founded in 1971 by 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 company is currently headed by B Venugopal Reddy since 1979 and by his son Charan Prasad Boya since 2011. The company undertakes civil construction works mainly in Tamil Nadu (TN) and Tirupathi.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	154.94	189.96	143.14
PBILDT	13.82	17.50	15.95
PAT	8.96	11.13	9.82
Overall gearing (times)	0.42	0.57	0.60
Interest coverage (times)	20.50	12.16	10.77

A: Audited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** CRISIL has continued the ratings assigned to the bank facilities of BNR to the 'issuer not-cooperating' category vide press release dated July 08, 2024, on account of its inability to carryout review in the absence of requisite information from the company.

ICRA has continued the ratings assigned to the bank facilities of BNR to the 'issuer not-cooperating' category vide press release dated May 28, 2024, on account of its inability to carryout review in the absence of requisite information from the company.

**Any other information:** Not applicable

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

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	25.00	CARE BB+; Stable
Fund-based - ST-Bank Overdraft		-	-	-	15.00	CARE A4
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	80.00	CARE BB+; Stable / CARE A4

**Annexure-2: Rating history for 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	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	80.00	CARE BB+; Stable / CARE A4	1)CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING * (26-Jul-24)	1)CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING * (30-May-23)	1)CARE BBB-; Stable / CARE A3 (06-Mar-23)	1)CARE BBB-; Stable / CARE A3 (10-Dec-21)
2	Fund-based - ST-Bank Overdraft	ST	15.00	CARE A4	1)CARE A4; ISSUER NOT COOPERATING * (26-Jul-24)	1)CARE A4+; ISSUER NOT COOPERATING * (30-May-23)	1)CARE A3 (06-Mar-23)	1)CARE A3 (10-Dec-21)
3	Fund-based - LT-Cash Credit	LT	25.00	CARE BB+; Stable				

\*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

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

**Annexure-5: Lender details**

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

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

### Contact us

<b>Media Contact</b>  Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a>	<b>Analytical Contacts</b>  Sandeep P Director <b>CARE Ratings Limited</b> Phone: +91-44-2850 1002 E-mail: <a href="mailto:sandeep.prem@careedge.in">sandeep.prem@careedge.in</a>
<b>Relationship Contact</b>  Ankur Sachdeva Senior Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3444 E-mail: <a href="mailto:Ankur.sachdeva@careedge.in">Ankur.sachdeva@careedge.in</a>	Ratheesh Kumar Associate Director <b>CARE Ratings Limited</b> Phone: +91-44-2850 1009 E-mail: <a href="mailto:ratheesh.kumar@careedge.in">ratheesh.kumar@careedge.in</a>
	Athithya Narayanan S Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:Athithya.narayanan@careedge.in">Athithya.narayanan@careedge.in</a>

### About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

### Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For detailed Rationale Report and subscription information,  
please visit [www.careedge.in](http://www.careedge.in)**