

BNR Infrastructure Projects Private Limited

November 28, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	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

¹Complete definition of ratings assigned are available at 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

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

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