

Press Release

Bhrunda Infra Private Limited (BIPL)

February 28, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 70.00 Cr.
Long Term Rating	SMERA BBB-/ Outlook: Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has assigned a long term rating of **SMERA BBB- (read as SMERA triple B minus)** and a short term rating of **SMERA A3 (read as SMERA A three)** to the Rs. 70.00 crore bank facilities of Bhrunda Infra Private Limited. The outlook is 'Stable'.

Bhrunda Infra Private Limited (BIPL) was incorporated in the year 2008 by Mr. Sreekanth Reddy Bhimareddy. At present the directors are Mr. Sreekanth Reddy Bhimareddy and Ms. ShanthiVudumula. BIPL is engaged in civil construction work and interior design catering to both government and private clients. Apart from this, the company has also dealt with irrigation projects during 2011 to 2014.

Key Rating Drivers

Strengths

- **Experienced management and established track record of operations**

Incorporated in 2008, BIPL is in the business of EPC contracting for more than a decade. It is currently headed by Mr. Sreekanth Reddy Bhimareddy and Ms. ShanthiVudumula. The promoter family has also been engaged in the infrastructure segment for almost 35 years thus providing a background to the current generation. Mr. Sreekanth Reddy Bhimareddy has more than a decade of experience in this line of business. The key management of the company consisting of Mr. Kiran Kumar- CEO and Mr. Ramprasad- head execution are both qualified civil engineers with almost 20 years of experience.

- **Reputed customer base**

The company has healthy relations with clients- Government/Semi Government/Public Sector Units like TirumalaTirupathiDevasthanams, Engineering Projects India Limited, National Mineral Development Corporation, Andhra Pradesh Education Welfare and Infrastructure Development Corporation, Rajiv Gandhi University of Knowledge Technologies only to name a few. The company also deals with private clients like GMR Infrastructures, IVRCL (Irrigation division), GRN Constructions Private Limited and a few more.

- **Comfortable financial profile**

The company has moderate financial risk profile marked by moderate net worth of Rs. 18.20 crore as on 31 March, 2017 as against Rs. 10.58 crore as on 31 March, 2016. The networth of the company includes unsecured loans of Rs. 3.30 crores from promoters. SMERA has treated the unsecured loans a quasi equity based on an undertaking received from the company that the amount would be maintained in the business over the medium term. The gearing stood at 1.75 times as on 31 March, 2017 as against 1.42 times as on 31 March, 2016. The Interest Coverage Ratio stood at 2.13 times in FY2017 as against 2.41 times in FY2016. The DSCR stood at 1.89 times in FY2017 as against 2.11 times in FY2016. The net cash accruals stood at Rs. 4.59 crores in FY2017 as against Rs. 3.94 crore in FY2016.

- **Healthy order book position**

BIPL has healthy order book position of Rs. 562.12 crore out of which work executed till the month of December'17 is around Rs. 93.85 crore for both govt. and private clients. This provides revenue visibility for

the medium term with unexecuted orders amounting to Rs. 468.27 crore to be executed by October '19.

Weaknesses

• Working capital intensive operations

BIPL has working capital intensive operations marked by high GCA days of 209 days in FY2017 as against 135 days in FY2016. This is majorly on account of high receivable days which stood at 113 days in FY2017 as against 56 days in FY2016 mainly because the company caters to government entities and the nature of payment structure.

• Tender based nature of business

The profit margins are susceptible to the tender based nature of business and intense competition in the industry. At present the company generates around 80 per cent revenue from government projects and the balance 20 per cent from private clients.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of BIPL to arrive at the rating.

Outlook: Stable

SMERA believes that the outlook on BIPL's rated facilities will remain stable over the medium term on account of its experienced promoters and healthy order book position. The outlook may be revised to 'Positive' if the company registers higher than expected growth in liquidity position and capital structure. Conversely, the outlook may be revised to 'Negative' in case the company registers significant decline in cash accruals or stretched working capital cycle resulting in deterioration of its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	71.48	65.15	36.11
EBITDA	Rs. Cr.	10.95	8.59	4.91
PAT	Rs. Cr.	2.44	2.16	1.46
EBITDA Margin	(%)	15.33	13.18	13.58
PAT Margin	(%)	3.41	3.32	4.04
ROCE	(%)	23.45	31.55	48.54
Total Debt/Tangible Net Worth	Times	1.75	1.42	1.68
PBDIT/Interest	Times	2.13	2.41	2.29
Total Debt/PBDIT	Times	2.91	1.74	2.29
Gross Current Assets (Days)	Days	209	135	171

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition-<https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments-<https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities-<https://www.smera.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Secured overdraft	Not Applicable	Not Applicable	Not Applicable	12.50	SMERA BBB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA BBB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BBB- / Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A3
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	28.50	SMERA A3
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	14.00	SMERA A3

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