

Press Release

Bhrunda Infra Private Limited

February 11, 2019

Rating Downgraded and Assigned



Total Bank Facilities Rated*	Rs. 80.00 Cr. (Enhanced from Rs. 70.00 crore)
Long Term Rating	ACUITE BB+/ Outlook: Stable (Downgraded from ACUITE BBB-/ Outlook: Stable)
Short Term Rating	ACUITE A4+ (Downgraded from ACUITE A3)

* Refer Annexure for details

Rating Rationale

Acuite has downgraded and assigned long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short-term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) from '**ACUITE A3**' (read as **ACUITE A three**) to Rs. 80.00 crore bank facilities of Bhrunda Infra Private Limited (BIPL). The outlook is '**Stable**'.

The rating downgrade is in view of moderate revenue visibility and elongated working capital cycle.

BIPL was incorporated in 2008 by Mr. Sreekanth Reddy Bhimareddy. At present, the Directors are Mr. Sreekanth Reddy Bhimareddy and Ms. Shanthi Vudumula. BIPL is engaged in civil construction work and interior designing mainly for government clients. The company does both exterior and interior infrastructure work. Apart from this, the company has started with irrigation projects since 2011.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management and reputed customer base

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. Shanthi Vudumula. Mr. Sreekanth Reddy Bhimareddy has around 15 years of experience in this line of business. Along with him, Mr. Kiran Kumar (CEO) and Mr. Ramprasad (Head of Execution) are both qualified civil engineers with almost 20 years of experience.

The company has healthy relations with government clients including Tirumala Tirupathi Devasthanams, Engineering Projects India Limited, National Mineral Development Corporation, Andhra Pradesh Education Welfare and Infrastructure Development Corporation, Rajiv Gandhi University of Knowledge Technologies to name a few. The company also deals with private clients such as GMR Infrastructures, IVRCL (Irrigation division), GRN Constructions Private Limited and a few more.

• Moderate financial risk profile

The company has moderate financial risk profile marked by moderate tangible net worth of Rs.22.16 crore as on 31 March, 2018 which includes Rs.3.73 crore of unsecured loans. Acuite has treated the unsecured loans from promoters as quasi equity as the management has undertaken to maintain the amount in the business over the medium term. The improvement is mainly due to accretion to reserves. The gearing stood moderate at 1.87 times as on 31 March, 2018 as against 1.75 time as on 31 March, 2017. The total debt of Rs.41.46 crore consist majorly of short term debt of Rs.30.19 crore, long term debt of Rs. .66 crore and current portion of long term debt of Rs.1.61 crore as on March 31, 2018. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.88

times as on 31 March, 2018 as against 2.52 times as on 31 March, 2017. Interest Coverage Ratio (ICR) stood at 2.56 times for FY 2018 as against 2.13 times in FY2017. Debt Service Coverage Ratio (DSCR) stood at 2.27 times in FY2018 as against 1.67 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.19 times as on 31 March, 2018 as against 0.14 times as on 31 March, 2017.

Weaknesses

• Moderate scale of operations with moderate revenue visibility

BIPL has moderate scale of operations with operating income of Rs.100.91 crore in FY 2018 as against Rs.71.16 crore in FY 2017. During the current year, the entity has clocked revenue of Rs.56.93 crore during April to December 2018 (Provisional). The company has been able to successfully bid for around Rs.103.00 crore projects in the past ten months ended December 2018. The current order book of the company stands at around Rs.329.00 crore, which is expected to be completed by August 2020.

• Working capital intensive nature of operations

The working capital cycle has elongated which is marked by Gross Current Asset (GCA) days of 222 in FY2018 as against 210 in FY2017. This deterioration is mainly on account of higher inventory days of 122 in FY2018 as against 59 in FY2017. Out of this, around Rs.28.59 crore of inventories have been piled up in the form of work in progress as against Rs.9.73 crore in the previous year due to fewer execution of projects. The collection period improved to 41 days in FY2018 from 113 days in FY2017. The GCA days also consist of high other current asset of Rs.23.60 crore as on March 31, 2018 as compared to Rs. 10.23 crore as on March 31, 2017. This is majorly due to increased advances given to suppliers and increase in security deposits, retention money and earnest money deposits.

Liquidity Position

BIPL has a moderate liquidity position. The company's net cash accruals stood at Rs.7.86 crore in FY2018 as against maturing debt obligations of Rs.1.61 crore over the same period. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 222 in FY 2018. The current ratio of the firm stood moderate at 1.23 times as on March 31, 2018. The same is also reflected in fully utilised bank limits. Acuite believes that the liquidity of the firm is likely to remain moderate over the medium term.

Outlook: Stable

Acuite believes that the outlook on BIPL's rated facilities will remain 'Stable' over the medium term on account of its experienced promoters and reputed clientele. The outlook may be revised to 'Positive' if the company registers higher than expected growth in revenue and improvement of working 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	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	100.91	71.16	64.94
EBITDA	Rs. Cr.	15.52	10.64	8.37
PAT	Rs. Cr.	3.45	2.44	2.16
EBITDA Margin	(%)	15.38	14.95	12.90
PAT Margin	(%)	3.42	3.42	3.33
ROCE	(%)	20.22	23.45	31.55
Total Debt/Tangible Net Worth	Times	1.87	1.75	1.42
PBDIT/Interest	Times	2.56	2.13	2.41
Total Debt/PBDIT	Times	2.62	2.91	1.74
Gross Current Assets (Days)	Days	222	210	136

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Infrastructure Entities- <https://www.acuite.in/view-rating-criteria-14.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
28-Feb-2018	Secured overdraft	Long Term	12.50	ACUITE BBB-/ Stable (Assigned)
	Cash Credit	Long Term	8.00	ACUITE BBB-/ Stable (Assigned)
	Proposed	Long Term	3.00	ACUITE BBB-/ Stable (Assigned)
	Bank Guarantee	Short Term	4.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	28.50	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	14.00	ACUITE A3 (Assigned)

*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	ACUITE BB+/ Stable (Downgraded from ACUITE BBB-/Stable)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.00 (Enhanced from Rs.8.00 crore)	ACUITE BB+/ Stable (Downgraded from ACUITE BBB-/Stable)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	32.50	ACUITE A4+ (Downgraded from ACUITE A3)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	17.00 (Enhanced from Rs.14.00 crore)	ACUITE A4+ (Downgraded from ACUITE A3)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ (Assigned)

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