



Press Release
Bhrunda Infra Private Limited
May 02, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	66.03	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	87.00	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	153.03	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BBB- (read as ACUITE triple B minus)**' and short-term rating of '**ACUITE A3 (read as ACUITE A three)**' on Rs.153.03 Cr. bank facilities of Bhrunda Infra Private Limited (BIPL). The outlook is '**Stable**'.

Rationale for rating assigned:

The rating assigned considers long standing experience of BIPL's promoters and its established track record of operations, improving scale of operations and strong order book position. The revenue has grown at a CAGR of 40 percent during the past 3 years ending FY23 aided by improved orders flow and execution. Further the company's scale of operations is expected to improve over the medium term with healthy unexecuted orders of ~Rs.1739 Cr. which translates to 13 x times of FY23 revenue.

The ratings are however, constrained by the intensive working capital operations and high customer concentration risk with major orders from Irrigation department of Telangana.

About the Company

Bhrunda Infra Private Limited was Incorporated in 2008 and is managed by Mr B. Sreekanth Reddy who has more than 2 decades of entrepreneurial experience in the planning, execution and project development. The company is a 'special class' contractor registered with government of Telangana, Andhra Pradesh, Karnataka and Madhyapradesh. BIPL gained expertise in areas of construction of residential, commercial, industrial buildings, construction of pump house, canals and other public works of Irrigation and command area development department of Telangana state

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Established track record of operations:

Bhrunda Infra Private Limited (BIPL) was incorporated in 2008. The company is a 'special class' contractor and has a reputed client base, including I&CAD Telangana, TSGENCO, and APMSIDC, among others. BIPL has gained expertise in areas such as construction of residential, commercial, and industrial buildings, earthworks like excavation and hard rock blasting, transportation, warehousing projects, construction of pump houses, canals, and other public works. The company has a long track record of successfully completing medium-sized projects in the past, which has contributed to building a strong order book. Recently, the company won a tender for an irrigation project worth Rs. 1105.97 crore from the Irrigation and Command Area Development Department of Telangana. Along with other orders, BIPL's order book stands healthy at Rs. 1739.68 crore as of April 1st, 2024, providing healthy revenue visibility over the medium term. Acuite believes that the promoters' extensive experience, healthy order book position will improve the business risk profile and scale of operations of the company.

Improving scale of operations albeit fluctuation in operating margin.

BIPL's revenue has grown at a compounded annual growth rate (CAGR) of 47 percent over the three-year period from 2021 to 2023, supported by increasing orders from the irrigation department. The company recorded revenue of Rs. 227.16 crore in FY23, compared to Rs. 151.13 crore in FY22, marking a growth rate of 50 percent, bolstered by a healthy order book and timely execution. Furthermore, the company is estimated to maintain stable revenue growth in FY24 to Rs. 230.09 crore. The operating margin of the company remained stable at 11.05 percent in FY23, compared to 11.92 percent in FY22, and is expected to improve to 12.85 percent in FY24. Going forward, BIPL's revenue is expected to continue to grow on the back of its healthy outstanding order book, while the operating margins are projected to remain stable as the company pursues bidding for projects aiming for a 12-13 percent margin.

Moderate financial risk profile:

The company's moderate financial risk profile is marked by moderate networth, gearing and debt protection metrics. Net worth of the company improved to Rs.43.38 Cr. as of March 31, 2023 from Rs.34.11 Cr. as of March 31, 2022 due to accretion of profits to reserves. The gearing improved marginally to 1.90 times as of March 31, 2023 from 1.94 times as of March 31, 2022 even though the company's total debt increased which mainly comprised of fund-based working capital limits. Total Outside Liabilities/ Tangible Net Worth (TOL/TNW) stood at 3.81 Cr. as of March 31, 2023 against 3.64 as of March 31, 2022. The debt protection metrics of the company are moderate marked by Interest Coverage Ratio of 3.21 times and Debt Service Coverage Ratio of 1.26 times as of March 31, 2023. Debt to EBITDA stood at 3.17 times as of March 31, 2023. Acuite believes that the financial risk profile of the company will improve going forward on account of estimated improvement in operating performance.

Weaknesses**Intensive working capital operations:**

The working capital intensity of the company has remained high over the past three years ending FY23, marked by high Gross Current Asset (GCA) of 259 days as of March 31, 2023 against 309 days as of March 31, 2022 and 423 days as of March 31, 2021. Inventory days, which majorly consist of work-in progress, stood at 51 days as of March 31, 2023 as against 114 days as of March 31, 2022 and 192 days as of March 31, 2021. Subsequently, the payable period stood at 259 days as of March 31, 2023 as against 309 days as of March 31, 2022. The debtor day stood at 02 days as of March 31, 2023 as against 135 days as of March 31, 2022. Further, the average utilization of bank limit during the last seven months ended February 2024 remained at 60 percent for fund based.

Presence of geographical and customer concentration risk in the revenue profile:

BIPL has an outstanding order book of Rs. 1739.68 crore as of April 1st, 2024, consisting of orders to be executed in the next 12–36 months. Out of the total outstanding orders, nearly Rs. 1554.67 crore are irrigation works from irrigation and command area development (I&CAD)

in Telangana, which draws significant customer concentration risk to the revenue profile. BIPL remains exposed to geographical and customer concentration risks as ~90 percent of orders are confined to the irrigation and command area development departments of Telangana. BIPL is into irrigation projects, wherein the sector is marked by the presence of several mid- to large-sized players. The risk becomes more pronounced as tendering is based on the minimum amount of bidding on contracts and susceptibility to inherent cyclicality in the infrastructure segment; further, it's dependent on the state government's thrust on irrigation and other infrastructure works. However, BIPL has taken steps in the previous two years to mitigate the concentration risk. It has received new orders for building construction works worth Rs. 101.84 crore to be executed in the Mizoram and Nagaland regions, which mitigates the geographical and customer concentration risks to some extent.

Rating Sensitivities

- Timely execution of its order book leading to substantial improvement in scale of operations while maintaining profitability margins over the medium term.
- Any deterioration in working capital cycle and liquidity profile of the company

Liquidity Position: Adequate

BIPL's liquidity position is adequate supported by sufficient net cash accruals (NCA) and healthy cash and bank balances. The company generated NCA of Rs.14.66 Cr. against the debt repayment obligations of Rs.10.00 Cr. in FY23. BIPL has healthy unencumbered cash and bank balances of Rs.48.25 Cr. as of March 31, 2023 providing comfort towards liquidity. Current ratio stood moderate at 1.08 times on 31st March, 2023. The cash accruals are estimated to remain in the range of Rs.16-35 Cr, which would comfortably service expected debt repayment range of Rs.5-7Cr. for the same period.

Intensive working capital operations have led to moderate reliance on the fund based working capital limits which were utilized in the range of ~60 percent during the past 7 months ending February, 2024. Acuite believes that liquidity position of the group will remain adequate in the medium term on account of sufficient NCA.

Outlook: Stable

Acuite believes that BIPL will maintain a 'Stable' outlook in the medium term on account of long track record of operations and experienced management in the industry. The outlook may be revised to 'positive' if the company registers higher than expected growth in its revenues while improving its profitability and capital structure. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital management or higher than expected infusion of debt leading to deterioration of its financial risk profile and liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	227.16	151.13
PAT	Rs. Cr.	9.27	5.95
PAT Margin	(%)	4.08	3.94
Total Debt/Tangible Net Worth	Times	1.90	1.94
PBDIT/Interest	Times	3.21	2.81

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

BIPL's rating has been downgraded to IVR BB+/Negative/A4+ as "Issuer not cooperative" by Infomercials vide its press release on April 20, 2024, on account of lack of adequate information required for monitoring the rating.

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History :

Not applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	47.50	ACUITE A3 Assigned
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	19.50	ACUITE A3 Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE A3 Assigned
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE BBB- Stable Assigned
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.50	ACUITE BBB- Stable Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE BBB- Stable Assigned
Union Bank of India	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Dec 2026	Simple	1.78	ACUITE BBB- Stable Assigned
Canara Bank	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Feb 2027	Simple	3.75	ACUITE BBB- Stable Assigned

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Katta Akhil Analyst-Rating Operations Tel: 022-49294065 akhil.katta@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.