

Press Release

Barbrik Project Limited

December 28, 2021

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Ratings Loan	279.00		ACUITE A2+ Reaffirmed
Bank Ratings Loan	31.00	ACUITE A- Stable Reaffirmed	
Total	310.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of 'ACUITE A-' (read as ACUITE A minus) and the short term rating of 'ACUITE A2+ (read as ACUITE A two plus) on the Rs.310.00 crore of bank facilities of Barbrik Project Limited. The outlook is 'Stable'.

About the Company

Barbrik Project Limited (BPL) was established as a partnership firm in 1985 and subsequently converted into a private limited company in 2008. The entity has been promoted by the Agarwal family of Chhattisgarh and is engaged in the construction of roads, bridges and highways. The company is a registered contractor for Public Works Department (PWD) of Chhattisgarh, Jharkhand, Maharashtra, Madhya Pradesh, Odisha and Bihar along with National Highway Authority of India (NHAI) and State Highway Authority of Jharkhand (SHAJ). The company is also engaged in undertaking logistic service for Central Coalfield Limited, Northern Coalfield Limited and Adani Enterprises Limited. Currently, the company is managed by Mr. Ramesh Kumar Agarwal, Mr. Rajesh Kumar Agarwal, Mr. Dhruv Kumar Agarwal, Mr. Kanhaiya Lal Agarwal, Mr. Ayush Kumar Agarwal and Mr. Sourabh Agarwal.

About the Group

Chhattisgarh based, PR Agarwal Project Private Limited (PRA) was incorporated in 2019 by Mr. Ramesh Kumar Agarwal. The company is engaged in civil construction work and currently undertakes projects subcontracted by Barbrik Project Limited.

Analytical Approach

Acuite has consolidated the financial and business risk profile of Barbrik Project Limited (BPL) and PR Agarwal Project Private Limited (PRA). The group is herein, being referred to as Barbrik Group. The same is on account of common management, same line of operations and significant operational and financial fungibility. Extent of consolidation: Full

Key Rating Drivers

Strengths

Experienced management and long track record of operations

The group has a long execution track record of thirty five years in the civil construction business with an established track record of projects related to road, highways and bridges. The promoters of the group Mr. Ramesh Kumar Agarwal, Mr. Rajesh Kumar Agarwal, Mr. Dhruv

Kumar Agagrwal, Mr Kanhaiya Lal Agarwal possesses more than three decades of experience in the infrastructure industry. The second-generation promoters Mr. Ayush Kumar Agarwal and Mr. Sourabh Agarwal (son of Mr. Ramesh Kumar Agarwal) have joined the business and also have experience of more than a decade in the infrastructure industry. The group has a long presence in this sector and has established a healthy relationship with customers for more than a decade. The timely execution of the projects has helped the group to improve its market presence in Odisha, Chhattisgarh, Madhya Pradesh, Jharkhand and Maharashtra. Acuite derives comfort from the long experience of the promoters in the civil construction work and healthy order book position.

Healthy scale of operation coupled with improving profit margins

The revenue of the group stood healthy at Rs.507.76 crore in FY2021 as compared to Rs.532.60 crore in the previous year. This slight deterioration in top line is on account of decrease in work execution during the period backed by outbreak of covid-19 during the period. Currently the company has achieved a revenue of Rs.350.00 crore till mid of November (prov.) in current fiscal. Acuite believes the revenue of the company will increase going forward based on the healthy unexecuted order book in hand.

The operating profitability margin of the group stood healthy at 17.48 per cent in FY2021 as compared to 15.93 per cent in the previous year. This improvement in profitability is mainly due to in-built price escalation clause that provides cushion for covering increased input prices. The contracts of the group with the govt. authorities are suitably guarded against the fluctuation in the raw material prices owing to the built - up price escalation clause. This helps the group from any large variation in the raw material prices, thus protecting the operating margins to a certain extent. PR Agarwal Project Pvt Limited who works as the sub-contractor for Barbrik Project Limited, helps them to minimize its cost.

The net profitability margin of the group also stood healthy at 8.96 per cent in FY2021 as compared to 7.92 per cent in the previous year. Acuite believes the profitability margin of the group will be sustained at healthy levels over the medium term on account of availability of adequate price escalation clause with the counter party.

Healthy financial risk profile

The financial risk profile of the group is marked by healthy net worth, low gearing and strong debt protection metrics. The net worth of the group stood healthy at Rs.239.54 crore in FY 2021 as compared to Rs 194.06 crore in FY2020. This improvement in networth is mainly due to the retention of current year profit. The gearing of the company stood low at 0.33 times as on March 31, 2021 when compared to 0.45 times as on March 31, 2020. This improvement in gearing is mainly on account of lower utilization of short term debt utilization during the period. Interest coverage ratio (ICR) is strong and stood 6.76 times in FY2021 as against 5.79 times in FY 2020. The debt service coverage ratio (DSCR) of the group also stood comfortable at 2.09 times in FY2021 as compared to 1.91 times in the previous year. The net cash accruals to total debt (NCA/TD) stood healthy at 0.86 times in FY2021 as compared to 0.71 times in the previous year. Going forward, Acuite believes the financial risk profile of the group will remain healthy on account of steady net cash accruals and no major debt funded capex plan.

Weaknesses

Working capital management

The operation of the group is working capital intensive marked by high gross current asset days of 206 days in FY2021 as compared to 189 days in the previous year. Moreover, the inventory days of the company stood has increased to 64 days in FY2021 as compared to 37 days in the previous year. This increase in inventory is mainly due to increase in work-in-progress inventory as on 31st March 2021. The debtor days of the group stood moderate at 58 days in FY2021 as compared to 61 days in the previous year. The high GCA days also emanates from the high other current asset of Rs.130.88 cr. in FY 2021 which mainly consists of short term security deposit of Rs.94.53 cr..Acuite believes that the ability of the company to manage its working capital operations efficiently will remain a key rating sensitivity.

Rating Sensitivities

- Scaling up of operations while maintaining their profitability margin
- Timely execution of orders
- Sustenance of existing financial risk profile with healthy capital structure

Material covenants

None

Liquidity - Adequate

The group has an adequate liquidity profile marked by comfortable net cash accruals of Rs.67.48 crore as against Rs.24.75 crore long term debt obligations in FY2021. The cash accruals of the group are estimated to remain in the range of around Rs. 79.95 crore to Rs. 97.47 crore during 2022-23 as against Rs. 33.60 crore of long term debt obligations FY2022 and Rs.33.60 crore in FY2023 respectively. The current ratio of the group stood comfortable at 1.44 times in FY2021. The bank limit of the company has been ~50 percent utilized during the last six months ended in November 2021. The working capital intensive nature of the group is marked by high Gross Current Asset (GCA) days of 206 days in FY2021. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of comfortable cash accruals against long debt repayments over the medium term.

Outlook- Stable

Acuité believes the group's outlook will remain stable over the medium term on account of the vast experience of the promoters, long execution track record, healthy order book position and strong financial risk profile. The outlook may be revised to 'Positive' in case the group registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of a decline in the group's revenues or profit margins, or in case of deterioration in the group's financial risk profile and liquidity position or delay in completion of its projects or further deterioration in its working capital cycle.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	507.76	532.60
PAT	Rs. Cr.	45.48	42.20
PAT Margin	(%)	8.96	7.92
Total Debt/Tangible Net Worth	Times	0.33	0.45
PBDIT/Interest	Times	6.76	5.79

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

Not Applicable

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>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
13 Oct 2020	Cash Credit	Long Term	20.00	ACUITE A- Stable (Assigned)
	Bank Guarantee	Short Term	58.00	ACUITE A2+ (Assigned)
	Bank Guarantee	Short Term	40.00	ACUITE A2+ (Assigned)
	Bank Guarantee	Short Term	75.00	ACUITE A2+ (Assigned)
	Bank Guarantee	Short Term	34.00	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	7.00	ACUITE A- Stable (Assigned)
	Bank Guarantee	Short Term	22.00	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	10.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	2.00	ACUITE A- Stable (Assigned)
	Proposed Bank Guarantee	Short Term	40.00	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	2.00	ACUITE A- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	38.00	ACUITE A2+ Reaffirmed
Yes Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A2+ Reaffirmed
ICICI Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	22.00	ACUITE A2+ Reaffirmed
HDFC Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	58.00	ACUITE A2+ Reaffirmed
Kotak Mahindra Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	34.00	ACUITE A2+ Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A- Stable Reaffirmed
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A- Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A- Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	87.00	ACUITE A2+ Reaffirmed

Contacts

Analytical	Rating Desk
Pooja Ghosh Head-Rating Operations Tel: 022-49294041 pooja.ghosh@acuite.in Abhishek Dey Analyst-Rating Operations Tel: 022-49294065 abhishek.dey@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 8,850 credit 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. Acuité ratings 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. Acuité ratings 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