

Press Release

BKD Infrastructure Private Limited

February 02, 2021



Rating Assigned

Total Bank Facilities Rated*	Rs. 40.00 Cr.
Long Term Rating	ACUITÉ BBB/Stable (Assigned)
Short Term Rating	ACUITÉ A3+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BBB**' (**read as ACUITE BBB**) and short term rating of '**ACUITE A3+**' (**read as ACUITE A three plus**) on the Rs 40.00 crore bank facilities of BKD Infrastructure Private Ltd (BIPL). The outlook is '**Stable**'.

BKD Infrastructure Private Limited was incorporated in 2008 by Mr. Braja Kishore Das. The company is engaged in civil construction activities for road, canals and residential building etc. Mr Braja Kishore Das entered construction business in 1996 through a proprietorship firm. In 2010, the entire asset and liabilities of the firm was transferred to BIPL. The company has executed projects primarily in the state of Odisha.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of BIPL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and healthy order book

BIPL was incorporated in 2008 by Mr. Braja Kishore Das who possesses almost 2 decades of experience in construction business through the erstwhile proprietorship entity. Over the years, the company has developed expertise in road and bridges construction through successful completion of large number of projects in Odisha. The current order book of Rs. 626.67 crores imparts strong revenue visibility over the medium term. The present order book comprise of around 64 percent of orders are issued by different state government entities and 36 percent of orders are issued by Indian railway. Acuité derives comfort from the long experience of the promoters in the civil construction space and strong order book position.

Comfortable financial risk profile

The comfortable financial risk profile of the BIPL is marked by its moderate net worth, low gearing ratio and strong debt protection metrics. The net worth stood at Rs. 43.20 crore as on 31st March'2020(Provisional) as compared to Rs 34.98 crore in the previous year. The gearing of the company stood comfortable at 0.39 times as on 31st March 2020(Provisional) as against 0.42 times as on 31st March, 2019. The total debt of Rs.17.03 crore in FY2020 consists of long-term debt of Rs.11.03 crore, short term borrowing of Rs 3.89 crore and unsecured loan of Rs 2.11 crore. TOL/TWN stood at 2.17 times in FY20(Provisional) as against 2.75 times in FY19. BIPL's interest coverage ratio stood strong at 6.28 times as on 31st March, 2020(Provisional) as against 6.68 times as on 31st March, 2019. DSCR of the company stood at 2.02 times in FY20(Provisional) in comparison to 2.75 times in FY19. This deterioration is on account of rise in financial cost due to increase in debt levels. The Net Cash accruals to Total Debt (NCA/TD) stood at 0.55 times in FY2020(Provisional) as compared to 0.56 times in the previous year. Acuité believes the financial risk profile to remain comfortable over the medium term backed by steady accruals and absence of any large debt funded capex plan.

Moderate profitability margins

The company has moderate profitability margins both at the operating and net level. The operating margin of the company stood at 8.04 percent in FY20(Provisional) as compared to 7.19 percent in FY19. The company's operating margin witnessed an improvement in FY20 driven by the company's selection of projects being bid for. Moreover, the profit after tax (PAT) margins of the company stood at 4.04 percent in FY20(Provisional) as against 3.83 percent in the preceding year. Acuité believes that the company will maintain modest profit margins over the medium term as major portion of orders are related to construction of roads where margins are high in comparison to other orders.

Weaknesses

Working capital intensive

The company has high working capital intensity as evident from its high gross current asset (GCA) days of 157 days in FY'20(Provisional) as 170 days in the previous year. The high GCA days are due to high debtor days of around 69 days and high other current Assets of Rs. 30.19 crores as on March 31, 2020(Provisional). The other current asset comprises of Rs 12.35 crores of Earnest money deposit, Rs 5.16 crores of retention money, Rs 5.29 crores of advance tax paid among others.

Rating Sensitivity

- Substantial improvement in the profitability margins
- Maintenance of comfortable financial risk profile

Material Covenant

None

Liquidity Profile: Adequate

The company has adequate liquidity profile as working capital utilization during 9 months ended November 2020 stood at around 37 percent. The company's net cash accrual stood at Rs 9.37 crores in FY20(Provisional) as against current maturity of Rs. 2.10 crores. Current ratio stood at 1.15 times in FY20 as against 1.25 times in FY19. The company has high-unencumbered cash & bank of Rs 7.51 crores as on March 31, 2020(Provisional). Acuite believes liquidity profile will remain adequate in medium term backed by absence of large debt led capex plan and healthy net cash accrual

Outlook: Stable

Acuité believes the outlook on BIPL will remain 'Stable' over the medium term backed by its long track record of operations. The outlook may be revised to 'Positive' if the company is able to scale up its operations along with sustenance in the profitability margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in profitability margin or liquidity profile.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	145.82	136.31
PAT	Rs. Cr.	5.90	5.22
PAT Margin	(%)	4.04	3.83
Total Debt/Tangible Net Worth	Times	0.39	0.42
PBDIT/Interest	Times	6.28	6.63

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

BIPL is listed under the 'Non Co-operation by the issuer' category by India Ratings due to inadequate information provided by the company.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

NA

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB/Stable (Assigned)
Overdraft	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BBB/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	11.50	ACUITE A3+ (Assigned)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BBB/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITE A3+ (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3+ (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A3+ (Assigned)

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About Acuité Ratings & Research:

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