

Press Release

BKD Infrastructure Private Limited

April 25, 2022



Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	32.00	-	ACUITE A2 Upgraded
Bank Loan Ratings	8.00	ACUITE BBB+ Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	40.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded the long term rating to '**ACUITE BBB+**' (read as **ACUITE Triple B plus**) from '**ACUITE BBB**' (read as **ACUITE Triple B**) and short term rating to '**ACUITE A2**' (read as **ACUITE A two**) from '**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**'.

The rating upgrade is mainly driven by BIPL's strong execution capabilities and diversified order book. The company has registered sustained revenue growth along with improvement in financial risk profile. The company has witnessed healthy order flow during FY22 from various government agencies. Further the outstanding order book provides healthy revenue visibility over the medium term. However, the ratings are constrained by BIPL's geographical concentration and fragmented nature of business.

About the Company

BKD Infrastructure Private Limited was incorporated in 2008 by Mr. Braja Kishore Das. The company was engaged in civil construction activities for road, bridges 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

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

Key Rating Drivers

Strengths

Long operational record and healthy order book

BIPL was incorporated in 2008 by Mr. Braja Kishore Das who possess 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 of Rs. 558 crores imparts strong revenue visibility of 2.5 times of FY21 revenue. The unexecuted order book comprise of around 35 percent of orders which are issued by different state government entities and 65 percent of orders are issued by East Coast Railway and SouthEastern Railways. With respect to segmental concentration, the order book is moderately diversified, with roads and bridges constituting around 47 per cent of the orders at hand, laying of railway track and supply of aggregates constituting 49 per cent, and the rest of the orders related to irrigation (1 per cent) and structure (3 per cent). The counterparty risk is low, as all orders are from state government agencies and Indian railways.

The scale of operation had witnessed significant growth as revenue of the company stood at Rs. 223 Cr in FY21 as against Rs 145 Cr in FY20 because of healthy execution of orders. In addition, the company has already posted revenue of Rs 210 Cr till February 2022(Provisional). Hence the scale of operation will continue to improve in FY22. 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. 44.35 crore as on 31st March'2021 as compared to Rs 33.83 crore in the previous year. The gearing of the company stood comfortable at 0.45 times as on 31st March 2021 as against 0.52 times as on 31st March, 2020. The company has low reliance on external debt as reflected from its low utilization of working capital limits. TOL/TWN stood at 2.26 times in FY21 as against 2.71 times in FY20. BIPL's interest coverage ratio stood strong at 8.79 times as on 31st March, 2021 as against 5.94 times as on 31st March, 2020. DSCR of the company stood at 3.65 times in FY21 in comparison to 1.94 times in FY20. This improvement driven by rise in absolute EBITDA backed increased turnover levels. The Net Cash accruals to Total Debt (NCA/TD) stood at 0.70 times in FY2021 as compared to 0.52 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 8.03 percent in FY21 as compared to 7.63 percent in FY20. Moreover, the profit after tax (PAT) margins of the company stood at 4.71 percent in FY21 as against 3.81 percent in the preceding year. Reason for moderate profit margin is company operates on asset light model where significant portion of orders is sublet to third parties or subcontractors. Acuité believes that the company will remain at moderate level because of its operational model and execution of similar kind of projects.

Weaknesses

Working capital intensive operations

The company has high working capital intensity as evident from its high gross current asset (GCA) days of 183 days in FY'21 as 238 days in the previous year. The high GCA days are due to other current Assets of Rs. 77 crores as on March 31, 2021. The other current asset comprises of Rs 29.31 crores of Earnest money deposit, Rs 41.00 crores of margin money, Rs 6.06 crores of advance recoverable among others.

High geographical concentration

The company since its inception has worked on projects primarily in Odisha. Moreover, the ongoing orders are also entirely from Odisha thereby implying high geographic concentration. The company's ability to successfully bid for projects in other states would be a key to expand their base.

Rating Sensitivities

- Sustenance in turnover growth along with substantial improvement in profit margins
- Continuous order flow

Material covenants

None

Liquidity profile: Adequate

The company has adequate liquidity profile as reflected from low working capital utilization during 6 month ended March 2022 stood at around 42 percent. The company's net cash accrual stood at Rs 14.07 crores in FY21 as against current maturity of Rs. 5.21 crores. Going forward, the net cash accruals are expected to be in the range of Rs 17-20 Cr as against loan repayments of around Rs.5 Cr from FY23-FY24. Current ratio stood at 1.30 times in FY21 as against 1.25 times in FY20. The company has high-unencumbered cash & bank of Rs 16.97 crores as on March 31, 2021. Acuite believes liquidity profile will remain adequate in medium term backed by healthy net cash accrual.

Outlook : Stable

Acuite believes the outlook on BIPL will remain 'Stable' over the medium term backed by its long track record of operations, strong order book position and comfortable financial risk profile. The outlook may be revised to 'Positive' if the company is able to maintain revenue growth along with substantial improvement in the profitability margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in liquidity profile due to increase in working capital requirement.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	223.34	144.84
PAT	Rs. Cr.	10.53	5.51
PAT Margin	(%)	4.71	3.81
Total Debt/Tangible Net Worth	Times	0.45	0.52
PBDIT/Interest	Times	8.79	5.94

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.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

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Feb 2021	Bank Guarantee	Short Term	5.00	ACUITE A3+ (Assigned)
	Proposed Cash Credit	Long Term	2.50	ACUITE BBB Stable (Assigned)
	Bank Guarantee	Short Term	11.50	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	2.00	ACUITE BBB Stable (Assigned)
	Bank Guarantee	Short Term	7.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	2.00	ACUITE BBB Stable (Assigned)
	Bank Guarantee	Short Term	8.50	ACUITE A3+ (Assigned)
	Secured Overdraft	Long Term	1.50	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	11.50	ACUITE A2 Upgraded
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITE A2 Upgraded
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A2 Upgraded
Indian Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A2 Upgraded
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB+ Stable Upgraded
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB+ Stable Upgraded
HDFC Bank Ltd	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BBB+ Stable Upgraded
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BBB+ Stable Upgraded

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About Acuité Ratings & Research

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