

Press Release

B N Infraprojects LLP

December 30, 2021



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Ratings	17.16		ACUITE A3+ Assigned
Bank Ratings	7.84	ACUITE BBB Stable Assigned	
Total	25.00	-	-

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of 'ACUITE BBB' (read as ACUITE triple B) and the short term rating of 'ACUITE A3+' (read as ACUITE A three plus) to the Rs 25.00 Cr bank facilities of BN Infraprojects LLP (BNILLP). The outlook is 'Stable'.

The rating on BNILLP draws comfort from the long track record of operations, experienced promoters and comfortable financial risk profile of the group marked by moderate net worth, comfortable gearing and robust debt protection indicators. The firm has bagged independent tender based orders apart from sub-contracting work, from the current financial year hence providing revenue visibility over the medium term. These strengths are however, partly offset by the working capital intensity in group's operations and geographical concentration in the work orders.

About the firm

BN Infraprojects LLP was incorporated in the year 2017 to undertake civil construction works in Assam. Mr. Babul Nath and his wife Mrs. Sharmistha Nath are the partners in the firm. Initially, this firm executed orders received as sub contract work from M/s Babul Nath. From the current year, the company has started receiving independent tenders and is involved in sub-contracting too.

About the Group

Established in 1996, the proprietorship firm Babul Nath is a registered Class IA contractor with Public Works Department (PWD), PWD (Buildings), Water Resources Department and Irrigation Department of the Government of Assam. The firm also executes tenders from Northeast Frontier Railway (NFR). The firm is managed by its proprietor Mr. Babul Nath, who is actively involved in its day to day operations of the firm.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation

Acuité has revised its analytical approach and has considered the consolidated business and financial risk profiles of BN Infraprojects LLP (BNILLP) and Babul Nath (BN). The consolidation is in view of common management, operational linkages between the entities and similar line of business.

Key Rating Drivers

Strengths

Experienced promoter and long track record of operations

Established in 1996, BN has a long track record of over two decades in the civil construction business with an established track record of project execution related to building and bridges. The proprietor, Mr. Babul Nath has a long-standing experience in the same line of business. Acuité believes that the group shall continue to benefit from the extensive industry experience of its management over the medium term.

Healthy scale of group's operations

The group's revenues improved to Rs.312.87 Cr in FY 2021 (prov.) as compared to Rs.177.04 Cr in FY20, registering a y-o-y growth of around 77 per cent in FY21. Further, the group has booked revenue of nearly 112 Cr till Sept'21 (prov.). The group's revenue improved in FY 2021 due to increase in order execution and increased Govt. focus in the infrastructure sector in north eastern regions of the country. In addition, the group has a strong unexecuted order book position to the tune of Rs.830 Cr as on 31 st October, 2021, which will be executed in 24-30 months, thus providing revenue visibility over the medium term.

Comfortable financial risk profile

Comfortable financial risk profile The group's comfortable financial risk profile is marked by moderate net worth, comfortable gearing and robust debt protection metrics. The net worth of the group improved to Rs.70.54 Cr as on 31 March, 2021 (prov.) as against Rs.49.72 Cr as on 31st March, 2020 due to accretion of reserves. The gearing stood below unity at 0.38 times in FY2021 (prov.) as against 0.43 times in FY2020. Further, robust debt protection metrics are marked by the interest coverage ratio (ICR) at 14.19 times and DSCR at 5.83 times in FY21 (prov.). The NCA/TD stood at 1.28 times in FY2021 (prov.). Acuité believes that the financial risk profile of the group will be sustained in the absence of any major debt funded capex plans over the medium term.

Weaknesses

Working capital intensive nature of operations

The working capital operations of the group is intensive marked by GCA (Gross Current Assets) Days of 191 days in FY 2021 (prov.) as compared to 205 days in the previous period. High GCA days are on account of the nature of the industry marked by high amount of retention deposits. The inventory days, however, stood comfortable at 8 days in FY 2021 (prov.) as compared to 11 days in FY20. The debtor days stood at 76 days in FY 2021 (prov.) as compared to 73 days in FY 2020. The working capital operations are expected to remain at similar levels over the medium term due to the high retention deposits with contractees.

Geographical concentration

The group, since inception has worked in Assam and majority of their unexecuted work orders are also in Assam, thus reflecting on high geographical concentration. However, BN has a few on-going orders in Bihar, Tripura, Nagaland and West Bengal and the management plans to continue bidding for projects in these regions, which partly mitigates the geographical concentration risk.

Rating Sensitivities

- Growth in the scale of BNILLP's operations

- Elongation in working capital

Material Covenants

None

Liquidity Position: Adequate

The group has an adequate liquidity position marked by high net cash accruals of Rs.34.28 Cr as against long term debt obligations of Rs.3.68 Cr every year during the same period. The group has unencumbered cash and bank balances of around Rs.26 Cr as on March 31, 2021 (Provisional). The current ratio stood comfortable at 1.46 times as on March 31, 2020 (Provisional) as compared to 1.42 time in FY20. The working capital limits remained utilized at 83 percent for six months ended October, 2021. However, Babul Nath availed a Covid loan of Rs.3.75 Cr and a loan moratorium. Acuité believes that the liquidity of the company will improve further over the medium term due to steady net cash accruals.

Outlook: Stable

Acuité believes that BNILP will maintain 'stable' outlook over the medium term due to its promoter's long experience in the civil construction business with an established record of operations, strong order book and healthy financial risk profile. The outlook may be revised to 'Positive' in case the group registers higher than expected growth in revenues while improving its profitability margins. Conversely, the outlook may be revised to 'Negative' in case of a decline in the revenues or profit margins, or elongation in the working capital cycle.

Key Financials

Particulars	Unit	FY 21 (Provisional)	FY 20 (Actual)
Operating Income	Rs. Cr.	312.87	177.04
PAT	Rs. Cr.	30.85	17.37
PAT Margin	(%)	9.86	9.81
Total Debt/Tangible Net Worth	Times	0.38	0.43
PBDIT/Interest	Times	14.19	7.11

About the Rated Entity - Key Financials (Standalone)

Particulars	Unit	FY 21 (Prov.)	FY 20 (Actual)
Operating Income	Rs. Cr.	32.46	31.68
PAT	Rs. Cr.	1.37	1.03
PAT Margin	(%)	4.21	3.26
Total Debt/Tangible Net Worth	Times	0.88	-
PBDIT/Interest	Times	19.50	4558.49

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

Not Applicable

Any Other Information

None.

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>

Rating History:

Not Applicable

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 (BLR)	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE A3+ Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB Stable Assigned
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	6.16	ACUITE A3+ Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	5.84	ACUITE BBB Stable Assigned

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About Acuité Ratings & Research

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