

Press Release

B N Infraprojects LLP

February 24, 2023



Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	4.00	ACUITE BBB+ Stable Assigned	-
Bank Loan Ratings	5.00	ACUITE BBB+ Stable Upgraded	-
Bank Loan Ratings	33.00	-	ACUITE A2 Assigned
Bank Loan Ratings	20.00	-	ACUITE A2 Upgraded
Total Outstanding Quantum (Rs. Cr)	62.00	-	-

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 the short-term rating to '**ACUITE A2**' (read as **ACUITE A two**) from '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.25.00 Cr bank facilities, and has assigned the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and the short-term rating of '**ACUITE A2**' (read as **ACUITE A two**) on the Rs.37.00 Cr bank facilities of BN Infraprojects LLP (BNILLP). The outlook remains '**Stable**'.

Rating Rationale

The rating upgrade on BNILLP takes into cognizance the overall business risk profile of the firm marked by significant growth in the expected revenues, profitability levels and further improvement in the order book position coupled with diversification in the clientele base. The rating is also supported by the management's track record in the civil construction sector. Further, the rating draws comfort from the comfortable gearing and strong debt coverage indicators. These strengths are, however, offset by the working capital intensive nature of operations of the group and the risk of capital withdrawal.

About the Firm

Established in 2017, BN Infraprojects LLP undertakes civil construction works. The firm is managed by Mr. Babul Nath and his wife Mrs. Sharmistha Nath. BNILLP initially used to execute orders received as sub contract from M/s Babul Nath to build credentials to bid for new orders. Currently, the firm has started receiving orders through tenders and is involved in subcontracting too. The firm also added and executes tenders from Northeast Frontier Railways (NFR) and Southern Railways.

About the Group

Established in 1996, Babul Nath (BN) is a proprietorship firm and is a registered Class IA

contractor. BN undertakes contracts for constructing roads and bridges for the Public Works Department (PWD), PWD (Buildings), Water Resources Department and Irrigation Department of the Government of Assam. The firm generally procures raw materials locally from the location of the project to be executed.

Analytical Approach

For arriving at this rating, Acuité has consolidated the business and financial risk profiles of Babul Nath (BN) and B N Infraprojects LLP (BNILLP) together referred to as 'Babul Nath Group' (BNG). The consolidation is in the view of common management, operational linkages between the entities and a similar line of business.

Extent of consolidation: Full.

Key Rating Drivers

Strengths

Experienced management and strong clientele base

Babul Nath group is managed by the proprietor Mr. Babul Nath, who possesses an experience of around three decades in the construction industry. The proprietor's extensive experience has aided the group in securing and efficiently executing the work contracts. Moreover, the group has maintained continuous order flow from the reputed clientele base which includes, Public Works Department (PWD), Water Resources Department, Irrigation Department of the Government of Assam, North East Frontier Railways and Southern Railways. Acuité derives comfort from the experience of the proprietor and the group's association with the Government clientele.

Consistent revenue growth

The operating income of the group increased to Rs.472.76 Cr in FY2022 as compared to Rs.316.68 Cr in FY2021, thereby, registering a y-o-y growth of around 49 per cent in FY2022. Further, the group has achieved revenues of around Rs.293.35 Cr till December, 2022 (Provisional). The improvement in revenues are owing to increase in the group's order execution along with scaling up of operations of BNILLP. Moreover, the group has an unexecuted order book position to the tune of Rs.592.52 Cr as on December, 2022, which will be executed in the next 24 to 30 months. Acuité derives comfort from the comfortable revenue visibility over the medium term.

Above average financial risk profile

The group's above average financial risk profile is marked by moderate but improving net worth, comfortable gearing and strong debt protection metrics. The net worth of the group stood at Rs.66.39 Cr as on 31 March, 2022 as against Rs.57.69 Cr as on 31st March, 2021 due to accretion of reserves. The gearing further improved and stood at 0.23 times in FY2022 as against 0.46 times in FY2021. Moreover, the interest coverage ratio (ICR) stood strong at 13.90 times and DSCR at 4.32 times in FY2022. The NCA/TD stood high at 2.31 times in FY2022. Acuité believes that the financial risk profile of the group will remain above average over the medium term driven by stable accruals and conservative capital structure.

Weaknesses

Working capital intensive nature of operations

The working capital operation of the group is intensive marked by high GCA (Gross Current Assets) Days of 207 days in FY2022 as compared to 180 days in the previous period. The high GCA days are on account of the high amount of other current assets due to retention money, earnest money and balance with Government authorities owing to the inherent nature of the industry. The other current assets include high retention deposits and advances to the tune of Rs.90.81 Cr in FY2022. The inventory days stood low at 11 days in FY 2022 as compared to 17 days in FY2021. Further, the debtor days stood comfortable at 71 days in FY2022 as compared to 63 days in FY2021. The working capital operations are expected to remain at similar levels over the medium term due to the high retention money.

Risk of capital withdrawal

Acuité notes that the group has been withdrawing capital from their business regularly in the past three years till FY2022. Any withdrawal over and above the undertaken amount could have a negative bias to the rating

Rating Sensitivities

- Improvement in the scale of operations
- Sustenance of capital structure
- Elongation in working capital cycle
- Maintenance of minimum capital

Material covenants

None

Liquidity position: Adequate

The group has an adequate liquidity position marked by high net cash accruals of Rs.35.17 Cr as against long term debt obligations of Rs.5.82 Cr during the same period. The group has unencumbered cash and bank balances of around Rs.55.50 Cr as on March 31, 2022. The working capital limits remained utilized at 80 per cent for nine months ended December, 2022. The current ratio stood moderate at 1.17 times as on March 31, 2022 as compared to 1.29 times in FY2021. However, the working capital intensive nature of operations of the group is marked by GCA (Gross Current Assets) Days of 207 days in FY 2022 as compared to 180 days in the previous year in FY2021. Acuité believes that the liquidity of the group will improve further over the medium term due to the improving net cash accruals.

Outlook: Stable

Acuité believes that the outlook will remain 'stable' over the medium term due to the experienced management along with an established record of operations, the comfortable order book position and the above average 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, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of a decline in the revenues or profit margins, or in case of significant amount of capital withdrawal or further elongation in its working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	472.76	316.68
PAT	Rs. Cr.	31.02	26.03
PAT Margin	(%)	6.56	8.22
Total Debt/Tangible Net Worth	Times	0.23	0.46
PBDIT/Interest	Times	13.90	11.93

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

None

Any other information

None

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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Dec 2021	Cash Credit	Long Term	2.00	ACUITE BBB Stable (Assigned)
	Proposed Bank Guarantee	Short Term	6.16	ACUITE A3+ (Assigned)
	Bank Guarantee	Short Term	11.00	ACUITE A3+ (Assigned)
	Term Loan	Long Term	5.84	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	11.00	ACUITE A2 Upgraded (from ACUITE A3+)
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A2 Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BBB+ Stable Assigned
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE A2 Upgraded (from ACUITE A3+)
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	13.00	ACUITE A2 Assigned
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BBB+ Stable Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.00	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)

Contacts

Analytical	Rating Desk
Pooja Ghosh Vice President-Rating Operations Tel: 022-49294041 pooja.ghosh@acuite.in Geeta Karira Analyst-Rating Operations Tel: 022-49294065 geeta.karira@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.

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