



**Press Release**  
**B N Infraprojects LLP**  
**May 22, 2024**

**Rating Assigned and Downgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	42.00	ACUITE C   Assigned	-
Bank Loan Ratings	2.40	ACUITE C   Downgraded	-
Bank Loan Ratings	1.00	ACUITE D   Assigned	-
Bank Loan Ratings	6.60	ACUITE D   Downgraded	-
Bank Loan Ratings	70.00	-	ACUITE A4   Assigned
Bank Loan Ratings	32.00	-	ACUITE A4   Downgraded
Bank Loan Ratings	21.00	-	ACUITE D   Downgraded
<b>Total Outstanding Quantum (Rs. Cr)</b>	<b>175.00</b>	<b>-</b>	<b>-</b>

**Rating Rationale**

Acuite has downgraded its long-term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and short-term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE A2**' (read as **ACUITE A two**) on Rs. 27.60 Cr. bank facilities of BN Infraprojects LLP.

Acuite has also assigned its long-term rating of '**ACUITE D**' (read as **ACUITE triple D**) on Rs.1.00 Cr. additional bank facilities of BN Infra Projects LLP.

Acuite has downgraded its long-term rating to '**ACUITE C**' (read as **ACUITE C**) from '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and short-term rating to '**ACUITE A4**' (read as **ACUITE A four**) from '**ACUITE A2**' (read as **ACUITE A two**) on Rs.34.40 Cr. bank facilities of BN Infraprojects LLP. Acuite has also assigned its long- term rating of '**ACUITE C**' (read as **ACUITE C**) and short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on Rs.112 Cr. additional bank facilities of BN Infraprojects LLP.

**Rationale for rating downgrade and assigned:**

The rating takes cognizance of multiple delays in servicing debt obligations in BN Infraprojects LLP, as understood from the feedback from lending institution and also confirmed by the credit bureau information report.

Further, Acuite has also downgraded the rating of parent entity "Babul Nath" due to the consolidated rating approach and inadequate in-time funding support to BN Infraprojects LLP, which subsequently resulted in liquidity challenges.

**About the Company**

Assam based; BN Infraprojects LLP was incorporated in the year 2017 to undertake civil construction works. Mr. Babul Nath and his wife Mrs. Sharmistha Nath are the partners in the

firm. Initially this firm used to execute orders received as subcontract from M/s Babul Nath to build credentials to bid for new orders. In the current Press Release BN INFRAPROJECTS LLP Rating Assigned and Downgraded year, the firm has started receiving orders through tenders and is involved in sub-contracting too.

## 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.

## Unsupported Rating

Not Applicable

## Analytical Approach

### Extent of Consolidation

- Full Consolidation

### Rationale for Consolidation or Parent / Group / Govt. Support

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.

## 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.

#### Stable operating performance and healthy order book position:

The group has registered a marginal moderation revenue to Rs.459.55 Cr. in FY2023 as compared to Rs.472.76 Cr. in FY2022. Further, the group is estimated to register revenue in the range of Rs.455-460 Cr. in FY2024 due to its moderate order book position during the year. BN Infra projects LLP's revenue has grown by 82 percent in FY23 however, it was constrained by decline in revenue of Babul Nath which subsequently led to moderation in consolidated revenue for FY23. Going forward, the revenue is expected to improve on the back of improved unexecuted order book position, which stood at Rs.1051.42 Cr. as on April, 2024.

The operating profit margin of the group marginally improved to 8.49 percent in FY2023 against 7.94 percent in FY2022. The improvement in profitability is due to timely reimbursement for the rise in prices of the raw materials from the government. However, PAT margin has declined marginally to 6.42 percent in FY2023 from 6.56 percent in FY2022 due to higher interest expense during the year. The operating profit margin is estimated to remain stable for FY2024 in the range of 8.5-8.7 percent.

## Healthy financial risk profile

The group's financial risk profile is healthy marked by healthy net worth, low gearing level and comfortable debt protection metrics. The net worth of the group has improved to Rs.93.11 Cr. as of March 31, 2023, from Rs.66.39 Cr. as of March 31, 2022, due to the accretion of profits to reserves for FY2023. The gearing remained healthy at 0.40 times as of March 31, 2023 against 0.23 times as of March 31, 2022. Marginal deterioration in gearing is due to increase in total debt to Rs.36.86 Cr. in FY2023 from Rs.15.23 Cr., which consists of long-term debt of Rs.15.45 Cr. and short-term debt of Rs.21.41 Cr. Total outside Liabilities/Tangible Net Worth (TOL/TNW) remained at 2.77 times as of March 31, 2023 against 3.75 times as of March 31, 2022. Interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood comfortable at 10.61 times and 4.40 times respectively, as of March 31, 2023 against 13.90 times and 4.32 times respectively, as of March 31, 2022. Debt to EBITDA stood comfortable at 0.81 times as of March 31, 2023 although it marginally deteriorated from 0.36 times as of March 31, 2022 due to increase in total debt. Acuite believes that the financial risk profile of the group will remain healthy for FY2024 as well on account of improvement in net worth and low debt levels.

## Weaknesses

### Working capital intensive nature of operations

The working capital operation of the group is intensive marked by GCA (Gross Current Assets) Days of 235 days in FY2023 as compared to 207 days in the previous period. The high GCA days are on account of the high amount of other current assets due to the inherent nature of the industry. The other current assets include high retention deposits and advances to the tune of Rs.106.21 Cr. in FY2023 against Rs.85.27 Cr. in FY2022. The inventory days stood low at 34 days in FY2023 as compared to 11 days in FY2022. The debtor days remained comfortable at 71 days in FY2023 as well. The group's reliance on fund based working capital limits remained high at 88 percent in past 12 months ending March 2024. Acuite believes that, the working capital operations will remain at similar levels over the medium term due to presence of the high retention money.

### Risk of capital withdrawal

Acuite notes that the group has been withdrawing capital from their business regularly in the past three years till FY2023. Any significant withdrawal of capital leading to moderation in the financial risk profile can lead to a negative bias to the rating.

## Rating Sensitivities

- Improvement in the scale of operations, sustenance of capital structure
- Elongation in working capital cycle
- Timely servicing of debt obligations.

## Liquidity : Stretched

The liquidity position of the group is stretched as there have been multiple instances of delays in servicing term loans in the recent past.

## Outlook: Not applicable

### Other Factors affecting Rating

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	459.55	472.76
PAT	Rs. Cr.	29.52	31.02
PAT Margin	(%)	6.42	6.56
Total Debt/Tangible Net Worth	Times	0.40	0.23
PBDIT/Interest	Times	10.61	13.90

### 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 Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
24 Feb 2023	Bank Guarantee (BLR)	Short Term	20.00	ACUITE A2 (Assigned)
	Bank Guarantee (BLR)	Short Term	11.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Cash Credit	Long Term	2.00	ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable)
	Cash Credit	Long Term	2.00	ACUITE BBB+   Stable (Assigned)
	Proposed Bank Guarantee	Short Term	9.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Proposed Bank Guarantee	Short Term	13.00	ACUITE A2 (Assigned)
	Proposed Cash Credit	Long Term	2.00	ACUITE BBB+   Stable (Assigned)
	Term Loan	Long Term	3.00	ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable)
30 Dec 2021	Bank Guarantee (BLR)	Short Term	11.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	2.00	ACUITE BBB   Stable (Assigned)
	Proposed Bank Guarantee	Short Term	6.16	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
ICICI Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	21.00	ACUITE D   Downgraded ( from ACUITE A2 )
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	32.00	ACUITE A4   Downgraded ( from ACUITE A2 )
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	70.00	ACUITE A4   Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.40	ACUITE C   Downgraded ( from ACUITE BBB+ )
Not Applicable	Not avl. / Not appl.	Proposed Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	39.00	ACUITE C   Assigned
ICICI Bank Ltd	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE D   Downgraded ( from ACUITE BBB+ )
Punjab National Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE C   Downgraded ( from ACUITE BBB+ )
Punjab National Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE C   Assigned
ICICI Bank Ltd	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE D   Assigned
ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	31 Dec 2020	Not avl. / Not appl.	30 Jun 2025	Simple	2.60	ACUITE D   Downgraded ( from ACUITE BBB+ )

**\*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

1. Babul Nath
2. BN InfraProjects LLP

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### 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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