



**Press Release**  
**Biraja Construction**  
**June 07, 2024**  
**Rating Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.00	ACUITE BBB   Stable   Upgraded	-
Bank Loan Ratings	45.00	-	ACUITE A3+   Upgraded
<b>Total Outstanding Quantum (Rs. Cr)</b>	50.00	-	-

**Rating Rationale**

Acuite has upgraded the long-term rating to '**ACUITE BBB**' (read as **ACUITE Triple B**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short-term rating to '**ACUITE A3+**' (read as **ACUITE A Three plus**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 50.00 Cr. bank facilities of Biraja Construction. The outlook is '**Stable**'.

**Rationale for upgrade**

The recommendation factors the improvement in the firm's scale of operations, marked by an operating income of Rs.169.34 Cr. in FY2023 as against Rs.142.21 Cr. in FY2022. The recommended rating also positively factors in the experienced management in civil construction business, appointment of highly experienced professionals in the Board, leading to repeat orders and efficient working capital management. Additionally, the financial risk profile of the firm remained comfortable marked by gearing below unity (D/E: 0.14 times as on March 31, 2023), adequate liquidity position marked by unutilized lines of fund-based limits and moderate order book position with unexecuted orders in hand of Rs.435.56 Cr. as on 28th February 2024. However, the above mentioned strengths are partly off-set by risk related to tender based nature of business, volatility in raw material prices and intense competition in the civil construction industry.

**About the Company**

Established in 2009, Biraja Construction is an Orissa based partnership firm. It has successfully completed various projects under different departments of government like rural development, Bridges, National Highway, Railway, IDCO, PWD, Odisha Construction Corporation. Biraja Construction receives majority of the contracts from the Government of Orissa and various municipal corporations in state of Orissa. The firm participates in tenders and executes orders for the various departments of Orissa which enables it to participate in higher value contracts. Mr. Birendra Kumar Mohanty, Mr. Gopal Chandra Mohanty, Mr. Duryodhan Rout, Mr. Niranjana Mohapatra, Ms. Jayashree Sujata Mohanty and Mr. Utkal Keshari Mohanty are the partners of the firm.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuité has considered the standalone business and financial risk profile of BC to arrive at this rating.

**Key Rating Drivers**

## **Strengths**

### **Experienced management and established relationship with customers**

Mr. Birendra Kumar Mohanty is the leading promoter of the firm who is supported by the other partner Mr. Gopal Chandra Mohanty. The firm established in the year 2009 has successfully completed various projects under different departments of government like rural development, water resources, National Highway, Railway, IDCO, PWD, Odisha Construction Corporation. The long standing experience of the proprietor and long track record of operations has helped him to establish comfortable relationships with key suppliers and reputed customers. Acuité derives comfort from the long experience of the management and believes this will benefit the firm going forward, resulting in steady growth in the scale of operations.

### **Sound business risk profile supported by strong order book position**

The firm witnessed an improvement in its scale of operations marked by an operating income of Rs.169.34 Cr. in FY2023 as against Rs.142.21 Cr. in FY2022. Further, Biraja Constructions has a moderate unexecuted order book position to the tune of Rs.435.56 Crore (2.6x of revenue of the firm in FY23) approximately as on 28<sup>th</sup> February 2024. The firm has achieved a total turnover of Rs.182.89 Crore in FY24 i.e. higher than the revenue of FY23. Going forward, the ability of the firm to bag new orders and timely execution of the existing orders will remain a key rating monitorable. The EBITDA margin of the firm stood at 3.83 per cent in FY2023 as against 4.01 per cent in FY2022 owing to raw materials price volatility and the PAT margin of the firm stood at 2.86 per cent in FY2023 against 2.77 per cent in FY2022. Though the firm's profitability is exposed to volatility in raw material, it has an in-built price escalation clause for major raw materials in most of its contracts. Hence, the firm is expected to have better top-line in near to medium term supported by better margins as compared to previous years on account of better order book with higher margins.

The stability in revenue is backed by an unexecuted healthy order book position to the tune of about Rs. 435.56 Crore as on 28<sup>th</sup> February, 2024. The orders for infrastructure projects are primarily from Government organisations. All its projects are on the direct tendering basis. Acuité believes that the firm will continue to sustain its order book position and maintain its business risk profile over the medium term.

### **Moderate financial risk profile**

The financial risk profile of the firm is moderate marked by net-worth of Rs.32.27 Crore as on 31st March 2023 against Rs.27.01 Crore as on 31st March 2022. The increase in the net-worth is on an account of accretion of profits into reserves. Further, the total debt of the firm stood at Rs.4.65 Crore as on 31st March 2023 against Rs.2.76 Crore as on 31st March 2022. The capital structure of the firm is comfortable marked by gearing ratio of the firm which stood at 0.14 times as on 31st March 2023 against 0.10 times as on 31st March 2022. Further, the coverage indicators of the firm improved reflected by interest coverage ratio and debt service coverage ratio of the firm stood at 20.85 times and 15.26 times respectively as on 31st March 2023 against 17.73 times and 1.66 times respectively as on 31st March 2022. The TOL/TNW ratio of the firm stood at 0.85 times as on 31st March 2023 against 1.19 times as on 31st March 2022 and DEBT-EBITDA of the firm stood at 0.48 times as on 31st March 2023 against 0.32 times as on 31st March 2022. Acuité believes that going forward the financial risk profile of the firm will remain above average with no major debt funded capex plans.

## **Weaknesses**

### **Segmental and geographic concentration**

Although the firm has a long-standing presence of about 15 years in the industry, its scale of operations remains moderate as reflected in its operating income at Rs 169.34 Cr. for FY 2023. The firm specialises in civil works related to construction of bridges and roads mainly for Government of Orissa and various municipal corporations in state of Orissa. The company faces competition from large players, as well as many local and small unorganised players, adversely affecting the profitability. Also, the firm is a regional player, with 100 per cent of the works executed in and around Orissa.

### **Competitive and fragmented nature of industry**

With increased focus of the central government on the infrastructure sector, the firm is expected to reap benefits over the medium term. However, most of its projects are tender based and face intense competition, which may hence require it to bid aggressively to get contracts. Competition can intensify further due to the recent relaxation in bidding norms by NHA and the Ministry of Road Transport & Highways (MoRTH). Also, given the cyclicity inherent in the construction industry, the ability to maintain profitability margin through operating efficiency becomes critical.

### **Rating Sensitivities**

- Significant growth in revenue and profitability margin
- Reduction in order flow

### **Liquidity Position Adequate**

The liquidity profile of the firm is adequate supported by adequate cash accrual, unutilised bank lines, and adequate cash and cash equivalents. The firm have generated net cash accruals of Rs.6.65 Cr. as on 31<sup>st</sup> March 2023 against the debt repayment obligation of Rs.0.90 Crore over the same period. Going forward, the firm is expected to generate net cash accruals under the range of Rs.8 Crore to Rs.10 Crore against the debt repayment obligations of 5.90 Crore over the same period. The current ratio of the firm stood at 1.86 times as on 31<sup>st</sup> March 2023 against 1.59 times as on 31<sup>st</sup> March 2022. Further, there is a lower dependence on the external borrowings wherein the average fund based bank limit utilization of the firm stood at 31.31% approximately in last eleven months ended Feb 2024 and average non-fund based bank limit utilization stood at 62.71% in last eleven months ended Feb 2024. Further, the cash and bank balance available with the firm stood at Rs.0.83 Crore as on 31<sup>st</sup> March 2023. Acuité believes that going forward the firm will maintain adequate liquidity position due to steady accruals.

### **Outlook: Stable**

Acuité believes the firm will benefit over the medium term from its promoters' extensive industry experience. The outlook may be revised to 'Positive' if scale of operations, profitability, and working capital cycle improve significantly, and if the firm widens geographical presence. Conversely, the outlook may be revised to 'Negative' if financial risk profile weakens because of significantly low cash accrual, or sizeable working capital requirement, or debt funded capital expenditure.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	169.34	142.21
PAT	Rs. Cr.	4.85	3.93
PAT Margin	(%)	2.86	2.77
Total Debt/Tangible Net Worth	Times	0.14	0.10
PBDIT/Interest	Times	20.85	17.73

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

Not Applicable

### 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>

### 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
18 Sep 2023	Bank Guarantee/Letter of Guarantee	Short Term	45.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3+)
	Cash Credit	Long Term	4.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB   Stable)
	Proposed Long Term Bank Facility	Long Term	1.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB   Stable)
06 Jul 2022	Bank Guarantee/Letter of Guarantee	Short Term	45.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	4.00	ACUITE BBB   Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	1.00	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
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	45.00	ACUITE A3+   Upgraded ( from ACUITE A4+ )
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE BBB   Stable   Upgraded ( from ACUITE BB+ )
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE BBB   Stable   Upgraded ( from ACUITE BB+ )

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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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