

## Press Release

### Bhanwariya Infra Projects Private Limited

February 16, 2023



## Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	9.22	ACUITE BBB-   Stable   Assigned	-
Bank Loan Ratings	63.90	-	ACUITE A3   Assigned
Total Outstanding Quantum (Rs. Cr)	73.12	-	-

## Rating Rationale

Acuite has assigned the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 73.12 Cr bank facilities of **Bhanwariya Infra Projects Private Limited** (BIPPL). The outlook is '**Stable**'.

### Rating Rationale

The rating is driven by the sound business risk profile of the company backed by established presence in the EPC segment. The ratings favourably factor in BIPPL's healthy order book position providing strong medium-term revenue visibility buoyed by strong execution capabilities. The financial risk profile has remained healthy, with gearing below unity and moderate debt coverage indicators, because of the consistent increase in the network, and healthy cash accruals over the years. The adequate liquidity position of the company, which is reflected in comfortable current ratio also provides comfort to the rating. The rating also factors in reputed client profile of the company coupled with government thrust in the infrastructure segment. These strengths are however, partly offset by the working capital intensity in the operations, volatility in operating margin, cyclicity in the domestic capex cycle and any economic slowdown.

### About the Company

**Bhanwariya Infra Projects Pvt. Ltd.**, is Jaipur based company was incorporated in March 2017 and managed by Mr. Jai Narayan Bhanwariya. The company undertakes various transmission and distribution projects with Rural Electrification and Indian Railways. BIPPL is registered as '**AA class**' (highest in the scale of AA to E) civil contractor with Jaipur Development Authority and '**E1 class**' electrical contractor with Electricity Board of Rajasthan. The company was originally incorporated as M/s Bhanwariya Construction on 1<sup>st</sup> July, 1999 as wholly owned electrical and civil works company. In 2017, the constitution of the firm changed to company limited by shares. It has successfully completed various projects under different departments of government like DVNNL Agra, AVVNL Ajmer, JdVVNL Jodhpur, etc. BIPPL receives majority of the contracts from the Electricity Board of Rajasthan. However, the company has gradually diversified in several other states like, Goa, Orissa, UP, Chhattisgarh and Chandigarh.

### Analytical Approach

Acuite has considered the standalone business and financial risk profile of BIPPL to arrive at the rating.

### **Key Rating Drivers** **Strengths** **Established market position**

The key promoter Mr. Jai Narayan Bhanwariya has around two decades of experience in construction and infrastructure turnkey projects by laying down transmission and distribution lines and constructing power substations. The long experience has resulted in establishing BIPPL as a major player in the western part of India especially for EPC projects in the power distribution sector where the company is executing projects for Rajasthan State Electricity Board. The company is registered as 'AA' class (highest in the scale of AA to E) civil contractor with Jaipur Development Authority (JDA) and 'E1' class electrical contractor with Electricity Board of Rajasthan. Acuite believes that the long track record and rich experience of the promoters augur well for the relationship with their key suppliers and customers.

### **Order Book build-up, improvement likely in FY23 in scale of operation**

The company has an outstanding order book of about Rs 314.61 Cr. as on October 2022. Further, the company has participated in more bids (Rs. ~600.00 Cr.) under Gol's revamped distribution sector scheme in last quarter. This will improve the order book position in near term and reduce the geographical concentration, providing strong medium-term revenue visibility. Major portion of EPC orders has an escalation clause which helps the company to mitigate the price fluctuation risk. The orders for infrastructure projects are primarily from Government organisations. All its projects are on the direct tendering basis.

The scale of operation stood at moderate level as revenue stood at Rs 84.15 Cr in FY22 as against Rs 56.83 Cr in FY21. However, the scale of operation is expected to improve substantially over the medium term backed by healthy order inflow in power sector. Further, the company has registered a revenue of Rs 92.73 Cr till December 2022 (Provisional). Acuite believes company will post strong revenue growth in FY23 on account of strong execution of outstanding orders. The gradual diversification of geographies have helped the company register a healthy top line growth (CAGR) of ~20.00 per cent between FY2021 and FY2023 (projected). Acuite believes that the company will continue to sustain its order book position and maintain its business risk profile over the medium term.

Moreover, the operating margin improved to 8.99 per cent in FY2022 from 7.63 per cent in FY2021. The PAT margins stood at 3.84 per cent as on FY2022 as against 3.07 per cent as on FY2021. The RoCE levels stood at a comfortable level of about 22.87 per cent in FY2022 as against 16.28 per cent in FY2021, benefitting from the healthy profitability and asset-light nature of the business. Though company's profitability is exposed to volatility in raw material prices as their prices are volatile in nature, BIPPL have an in-built price escalation clause for major raw materials (such as steel, cement, fuel and bitumen) in most of its contracts.

### **Moderate financial risk profile**

The company's moderate financial risk profile is marked by moderate albeit improving networth, comfortable gearing and comfortable debt protection metrics. The tangible net worth of the company improved to Rs.26.57 Cr as on March 31, 2022 from Rs.21.97 Cr as on March 31, 2021 due to accretion to reserves. Acuite has considered unsecured loans of Rs.9.17 Cr as on March 31, 2022, as quasi-equity as the management has undertaken to maintain the amount in the business over the medium term. Gearing of the company stood low at 0.38 times as on March 31, 2022 as against 0.29 times as on March 31, 2021 due to minimal dependence on external debt. With increased retained earnings and net worth, the

Total outside Liabilities/Tangible Net Worth (TOL/TNW) improved to 0.95 times as on 31st March, 2022 as against 0.97 times as on 31st March, 2021. The comfortable debt protection metrics of the company is marked by Interest Coverage Ratio at 2.59 times and Debt Service coverage ratio at 2.02 times as on 31st March, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.37 times as on 31st March, 2022. Acuité believes that going forward the financial risk profile of the company will improve backed by steady accruals and no major debt funded capex plans.

### **Weaknesses**

#### **Working capital intensive nature of operations**

The working capital management of the company has improved in FY22, although marked by Gross Current Assets (GCA) of 129 days in 31st March 2022 as compared to 150 days on 31st March 2021. The working capital intensity remains inherently high in the EPC business due to the long execution period of projects, milestone-based payments and the retention money requirement that is released post the defect liability period. However, the debtor days remained moderate at 56 days as on 31st March 2022, as compare to 53 days as on 31st March 2022 since the receivables include retention money of projects also given the preponderance of government clients. BIPPL has back-to-back arrangement with its sub-contractors for few projects. Consequently, part of the retention money is funded by way of stretching the creditors. Further, the inventory holding also stood moderate at 33 days as on March 31, 2022 as compared to 25 days as on March 31, 2021 since lengthy order execution cycle entails multiple inspections at various stages of execution. Acuité believes that any elongation in the receivable period or further inventory build-up may lead to a further strain on the working capital profile and, hence, will remain a key monitorable.

#### **Segmental concentration, along with susceptibility to risks related to intense competition in construction segment, and to tender-based operations**

Although the promoters have a long-standing presence in the industry, its scale of operations remains moderate as reflected in its operating income at Rs 84.15 Cr in FY22. As almost all its sales are tender based, the revenue depends on the company's ability to bid successfully for tenders. BIPPL specialises in transmission and distribution projects with Rural Electrification and Indian Railways mainly. The company faces competition from large players, as well as many local and small unorganised players, adversely affecting the profitability.

### **Rating Sensitivities**

- Elongation of working capital cycle
- Reduction in order flow

### **Material covenants**

None

### **Liquidity Position: Adequate**

The company's liquidity is adequate marked by net cash accruals which stood at Rs. 3.68 Cr as on March 31, 2022 as against long term debt repayment of only Rs. 0.29 Cr over the same period. The current ratio stood comfortable at 1.56 times as on March 31, 2022 as compared to 1.46 times as on March 31, 2021. A significant portion of its security deposits are being met though deposit from subcontractor (proportionate to given work) which lower requirement of funds in business. The deposits from subcontractors stood at Rs 3.78 Cr which partly funds the working capital requirements of the company. Additionally, mobilisation advances from customers also support the working capital funding requirements. Hence, the fund based limit of Rs. 8.10 Cr. remained moderately utilized at ~84.00 per cent over the last seven months ended December, 2022, and the non-fund based limit remained utilized at ~56.00 per cent over the seven months ended December, 2022. Further, the moderate working capital management of the company is marked by Gross Current Assets (GCA) of 129 days in 31st March 2022 as compared to 150 days in 31st March 2021. Acuité believes that going forward

the company will maintain adequate liquidity position due to timely collections from customers and mobilization advances for new orders.

### Outlook: Stable

Acuité believes the outlook on BIPPL will remain 'stable' over the medium term backed by experience of its promoter and healthy order book position. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position or delay in completion of its projects 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.	84.15	56.83
PAT	Rs. Cr.	3.23	1.75
PAT Margin	(%)	3.84	3.07
Total Debt/Tangible Net Worth	Times	0.38	0.29
PBDIT/Interest	Times	2.59	2.23

### 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>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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:

Not Applicable

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
The Federal Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	42.00	ACUITE A3   Assigned
Yes Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	21.90	ACUITE A3   Assigned
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	0.10	ACUITE BBB-   Stable   Assigned
The Federal Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE BBB-   Stable   Assigned
The Federal Bank Ltd	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	1.12	ACUITE BBB-   Stable   Assigned

## Contacts

Analytical	Rating Desk
Pooja Ghosh Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:pooja.ghosh@acuite.in">pooja.ghosh@acuite.in</a>  Srijita Chatterjee Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:srijita.chatterjee@acuite.in">srijita.chatterjee@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### 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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