

September 05, 2022

BSR Infratech India Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-Based Facilities	150.00	200.00	[ICRA]A- (Stable); assigned/ reaffirmed
Non-Fund Based Facilities	550.00	600.00	[ICRA]A2+; assigned/ reaffirmed
Proposed CC facility	-	25.00	[ICRA]A- (Stable); assigned
Proposed BG facility	-	75.00	[ICRA]A2+; assigned
Total	700.00	900.00	

*Instrument details are provided in Annexure-1

Rationale

The assigned ratings reflect a diversified order book across multiple segments and satisfactory operational track record of BSR Infratech India Ltd (BSR), with stable and healthy operating margins of ~13% in the past two years. The ratings favourably factor in the strong order book of Rs. 3,045.0 crore¹ as of March 31, 2022, translating into 3.5 times of FY2022 revenues and thereby providing medium-term revenue visibility. Further, BSR witnessed healthy revenue growth of 13% YoY during FY2022, on the back of improved order execution from Karnataka-based orders, which is expected to sustain in the medium term. The ratings also factor in its reputed client base, consisting of Government bodies like the Cauvery Neeravari Nigama Limited (CNNL), the Visveswaraya Jala Nigam Limited (VJNL), and the Karnataka Road Development Corporation Limited (KRDCL), etc. The ratings also consider the comfortable coverage metrics with interest coverage of 4.0 times and DSCR of 1.7 times in FY2022. With an expected reduction in interest expenses on account of the scheduled repayments and increase in operating profits, the coverage indicators are expected to improve, going forward.

The ratings are, however, constrained by high working capital intensity with NWC/OI at 42% in FY2022 owing to high receivables. The receivable days stood high at 197 days in FY2022, mainly on account of the pending payments from stalled projects in Andhra Pradesh and slow realisations from VJNL, owing to procedural delays. The company had outstanding debtors of Rs. 175.1 crore as on March 31, 2022, from the VJNL and received around Rs. 56.0 crore in 5M FY2023; however, the payment cycle of VJNL is expected to be normalised by the end of 2022, which will improve BSR's liquidity position in the near term and remain crucial from the company's liquidity perspective. The ratings are further constrained by the high geographical concentration risk with ~89% of the order book confined to Karnataka, and moderate project concentration risks with the top-five projects contributing to 44% of the outstanding order book.

ICRA has taken note of the stalled projects from Andhra Pradesh Capital Region Development Authority (APCRDA), with an order book of ~Rs. 2,455.0 crore. The company's net receivables position from the stalled projects is ~Rs. 100 crore, and the bank guarantee outstanding for these projects is ~Rs. 110 crore. The company is likely to realise part of the receivables and release of bank guarantees by December 2022. Any adverse developments on the stalled projects impacting BSR's liquidity position of the company will remain a key monitorable.

The Stable outlook on the rating reflects ICRA's opinion that the company is expected to sustain its revenue growth on the back of a robust order book and satisfactory track record in executing irrigation projects.

¹ Order book is adjusted for slow moving of Rs. 168.6 crore and APRDCA stalled project of Rs. 2,455.2 crore

Key rating drivers and their description

Credit strengths

Strong order book position provides medium-term revenue visibility - BSR had a strong order book of Rs. 3,045 crore (adjusted for slow-moving orders) as on March 31, 2022, which is ~3.5 times of FY2022 revenues, providing medium-term revenue visibility. Further, BSR witnessed a healthy revenue growth of 13% YoY during FY2022, on the back of improved order execution from Karnataka, which is expected to sustain over the medium term.

Diversified order book across multiple segments - The order book is diversified with presence in the irrigation, roads and building segments. Further, the current order book comprises orders from reputed public-sector entities viz. CNNL, VJNL and KRDC, etc., resulting in low counterparty credit risk.

Moderate coverage indicators - The company's debt coverage indicators are moderate with interest coverage of 4.0 times and DSCR of 1.7 times in FY2022. With expected reduction in interest expenses on account of scheduled repayments and increase in operating profits, the coverage indicators are expected to improve, going forward.

Credit challenges

High working capital intensity – BSR's working capital intensity remained high with NWC/OI at 42% in FY2022 owing to high receivables. The receivable days stood high at 197 days in FY2022, mainly on account of the pending payments from the stalled projects in Andhra Pradesh and slow realisations from VJNL, owing to procedural delays. The company had outstanding debtors of Rs. 175.1 crore as on March 31, 2022, from VJNL and received around Rs.56.0 crore in 5M FY2023; however, the payment cycle of VJNL is expected to be normalised by the end of 2022, which will improve BSR's liquidity position in the near term and remain crucial from the company's liquidity perspective. The company resumed the APCRDA work recently and also got back bank guarantees of around Rs.10.11 crore. The company is expecting to realise part of these receivables and release of bank guarantees by December 2022.

High geographical concentration risk - BSR is exposed to high geographical concentration risk as ~89% of the order book is confined to Karnataka, and moderate project concentration risk with the top-five projects contributing to 44% of the outstanding order book. Any slowdown in major projects would have an adverse impact on the revenues and profitability as witnessed in the past.

Rise in overall indebtedness - The overall indebtedness of the company was high with TOL/TNW of 1.6 times as of March 31, 2022, owing to high creditors and sizeable mobilisation advances.

Liquidity position: Adequate

The liquidity position of the company is adequate, with free cash and balances of Rs. 6.2 crore and a cushion in the working limits of Rs. 48.1 crore as on March 31, 2022. The average working capital utilisation for the past 12 months ending March 2022 remained high at 87%. The company has debt obligations of Rs. 15.3 crore and capex plans of Rs. 20.0 crore in FY2023, which can be comfortably serviced through estimated cash flow from operations.

Rating sensitivities

Positive factors – ICRA could upgrade BSR's ratings, if there is any significant improvement in revenues, while maintaining the profitability margins resulting in improvement in debt coverage metrics and liquidity position, on a sustained basis. Specific credit metrics that could lead to an upgrade, include interest cover of more than 5.5 times and TOL/TNW of 1.3 times. on a sustained basis.

Negative factors – Pressure on BSR's ratings may arise, if the material decline in billing, profitability and/or significant elongation in the working capital cycle adversely impacts the debt coverage metrics and liquidity position. A specific credit metric for a downgrade is if TOL/TNW is greater than 1.75 times, on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Construction Entities
Parent/Group Support	Not Applicable
Consolidation/Standalone	Standalone

About the company

BSR Infratech India Limited (BSR) was initially set up as a partnership firm in 2006 and was later reconstituted as a limited company in 2008. BSR executes civil construction projects predominantly in the irrigation, buildings, and road segments for the Government authorities in Karnataka. It is promoted by Mr. Srinivasa Rao Balusu, the Managing Director of the company.

Key financial indicators

	FY2021	FY2022
	Audited	Audited
Operating Income (Rs. crore)	775.2	875.7
PAT (Rs. crore)	35.7	51.7
OPBDIT/OI (%)	13.0%	12.6%
PAT/OI (%)	4.6%	5.9%
Total Outside Liabilities/Tangible Net Worth (times)	2.1	1.6
Total Debt/OPBDIT (times)	2.2	1.6
Interest Coverage (times)	2.7	4.0

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Source: Company

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)					Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of March 31, 2022 (Rs. crore)	Date & Rating on	Date & Rating on	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					September 05, 2022	June 14, 2022	-	-	-
1	Fund-Based Facilities	Long-term	200.00	-	[ICRA]A-(Stable)	[ICRA]A-(Stable)	-	-	-
2	Non-Fund Based Facilities	Short-term	600.00	-	[ICRA] A2+	[ICRA] A2+	-	-	-
3	Proposed CC facility	Long-term	25.00	-	[ICRA]A-(Stable)	-			
4	Proposed BG facility	Short-term	75.00	-	[ICRA] A2+	-			

Complexity level of the rated instrument

Instrument	Complexity Indicator
Fund-Based Facilities	Simple
Non-Fund Based Facilities	Very Simple
Proposed CC facility	Simple
Proposed BG facility	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, are available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-Based Facilities	NA	NA	NA	200.00	[ICRA]A-(Stable)
NA	Non-Fund Based Facilities	NA	NA	NA	600.00	[ICRA]A2+
NA	Proposed CC facility	NA	NA	NA	25.00	[ICRA]A-(Stable)
NA	Proposed BG facility	NA	NA	NA	75.00	[ICRA]A2+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-2: List of entities considered for consolidated analysis

Not applicable

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