

December 20, 2022

## Bekem Infra Projects Private Limited: Rating reaffirmed; rated amount enhanced

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based working capital limit	55.00	93.00	[ICRA]A (Stable); reaffirmed/assigned
Non-fund based limit	355.00	507.00	[ICRA]A (Stable); reaffirmed/assigned
Unallocated limit	290.00	250.00	[ICRA]A (Stable); reaffirmed
<b>Total</b>	<b>700.00</b>	<b>850.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The rating reaffirmation for Bekem Infra Projects Private Limited (BIPPL) factors in the healthy order book position of Rs. 3,315 crore as on August 31, 2022 providing medium-term revenue visibility. The order book position improved from Rs. 2,095 crore as on July 31, 2021 on account of healthy order addition in FY2022 and 5M FY2023. The company has already billed Rs. 398 crore in H1 FY2023 and the revenues are expected to increase to more than Rs. 900 crore in FY2023. The rating considers the comfortable financial profile, with limited dependence on external borrowings resulting in moderate leverage (TOL/TNW at 1.1 times as on March 31, 2022) and comfortable debt coverage metrics with interest coverage of 11.7 times in FY2022. ICRA expects the debt coverage metrics to remain strong going forward. The rating continues to draw comfort from the experienced management, BIPPL's demonstrated capabilities in executing relatively complex hydro mechanical (HM) works for irrigation dams and hydel power projects, as well as its healthy profitability margins.

BIPPL has received two hybrid annuity mode (HAM) road projects in joint venture (JV) with Sri Avantika Contractors (I) Ltd (SACIL) and another HAM road project in JV with Max Infra (I) Ltd (MIIL, rated [ICRA]A-/Stable). Further, the financial closure for these projects have been achieved. It has a total equity commitment of Rs. 205.8 crore towards the three HAM projects during FY2023-FY2025 and has already infused Rs. 49.10 crore of equity by November 2022. The company has provided joint and several corporate guarantees towards the two HAM projects, where SACIL is the JV partner till the receipt of the first annuity. Given the relatively modest credit profile of its JV partner, ICRA in its analysis has built in the balance equity requirement of these two HAM projects (Rs. 120.98 crore) to be funded by BIPPL. With healthy profitability margins and cash flows from operations, BIPPL is adequately placed to infuse the requisite equity for these three projects. Going forward, any significant increase in development projects resulting in higher-than-expected equity commitment, which adversely affects its liquidity position, will remain a key monitorable.

The rating remains constrained by the moderate execution risks as ~69% of the outstanding order book is in the nascent stages (with less than 25% financial progress), of which 47% are yet to commence as most of the projects were received in the last one year. Any delay in execution of projects could impact its revenues and profitability. The company remains exposed to the geographical concentration risk as ~58% of the outstanding order book is from Andhra Pradesh and Odisha. Further, the project concentration risk is high as top three projects account for ~52% of the order book as on August 31, 2022.

The Stable outlook reflects ICRA's belief that the company would benefit from its healthy order book position and order execution, and timely receipt of payments from its key customers.

### Key rating drivers and their description

#### Credit strengths

**Healthy order book position** – BIPPL has a healthy order book of Rs. 3,315 crore as on August 31, 2022, which is 4.3 times of the OI in FY2022, providing medium-term revenue visibility. Around, 50% of the current order book comprises projects, which

are funded by the Government of India, and healthy progress in these projects are likely to support medium-term revenue growth.

**Comfortable financial profile** – The company's financial profile is comfortable with limited dependence on external borrowings and TOL/TNW at 1.1 times as on March 31, 2022, along with interest coverage of 11.7 times in FY2022. With healthy cash accruals expected in the medium term, the debt coverage metrics are likely to remain comfortable.

**Long track record in executing complex HM works** – The management is experienced in executing relatively complex hydro mechanical (HM) works for irrigation dams and hydel power projects.

### Credit challenges

**Order book exposed to moderate execution risks** – BIPPL is exposed to moderate execution risks as ~69% of the outstanding order book is in the nascent stages (with less than 25% financial progress), of which 47% is yet to commence billing as on August 31, 2022. Further, the company is undertaking three road HAM projects and its ability to complete these projects within the scheduled timelines and budgeted costs remains a key rating monitorable.

**Sizeable equity commitments for HAM projects** – At present, BIPPL is undertaking three HAM projects and has a total equity commitment of ~Rs. 205.7 crore. Of this, it has infused ~Rs. 49.1 crore as on November 30, 2022 and the balance Rs. 156.6 crore of equity is likely to be infused over the next two years. The estimated cash flow from operations, along with the existing cash balances is expected to be sufficient for the equity commitments towards these HAM projects. Given that BIPPL has provided joint and several corporate guarantee towards the two HAM projects, where SACIL is the JV partner till the receipt of the first annuity, ICRA has assumed the balance equity requirement of these two HAM projects (Rs. 120.08 crore) to be funded by BIPPL. However, any significant increase in equity commitments due to the addition of new HAM projects would remain a monitorable.

**Geographical and project concentration risks** – The company remains exposed to geographical concentration risk as ~58% of the outstanding order book is from Andhra Pradesh and Odisha. It also faces project concentration risk as top three projects accounted for ~52% of the order book as on August 31, 2022. Of the top three projects, billing for the new HAM projects is expected to start billing in Q4 FY2023.

### Liquidity position: Adequate

BIPPL's liquidity position is adequate, with unencumbered cash balance of Rs. 90 crore and undrawn working capital limits of Rs. 40.0 crore as on November 30, 2022. It has projected debt repayment obligation of Rs. 35.5 crore in FY2023. The company already infused Rs. 49.10 crore and expected to infuse another Rs. 50 crore- Rs.70 crore in FY2023, which can be comfortably serviced through estimated cash flow from operations. The average utilisation of fund-based facilities during September 2021 to October 2022 remained low at 29.46%. The company is likely to incur capex of around Rs. 90.0 crore in FY2023 (already incurred Rs. 60 crore) towards purchase of construction equipment.

### Rating sensitivities

**Positive factors** – The rating might be upgraded if there is diversification in order book, along with significant increase in scale of operations, and profitability margins resulting in improvement in debt coverage metrics and liquidity position on a sustained basis.

**Negative factors** – Pressure on the rating may arise if there is material decline in revenues or earnings resulting in deterioration of debt coverage indicators. Higher-than-expected funding (equity/ cost overrun/ operational shortfall) support towards HAM projects, or a sustained elongation in working capital cycle impacting its liquidity position could also put pressure on the rating. Specific credit metric that would lead to downgrade will include Net TOL/TNW increasing beyond 1.3 times on a sustained basis.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Methodology for Construction Entities</a> <a href="#">Rating approach- Consolidation</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the rating, ICRA has done limited consolidation of HAM special purpose vehicles (SPVs) factoring in the equity commitments and support towards meeting any cash flow mismatches. Refer Annexure II

## About the company

Set up by Sarat Babu Bollineni and Krishna Mohan Bollineni as a proprietorship concern (M/s B. Krishna Mohan Engineers & Contracts), was started in 1994 and is based out of Hyderabad. The proprietorship was converted into a partnership firm with effect from April 1, 2008 and subsequently converted into a private limited company and changed its name to Bekem Infra Projects Private Limited (BIPPL) with effect from September 15, 2008. The company executes HM and civil construction works on a subcontract basis for engineering, procurement and construction (EPC) contractors in the irrigation, railways and hydropower sector. BIPPL has its own fabrication unit for carrying out HM works of irrigation projects. In the last few years, the company diversified into roads and canal work by executing projects on a sub-contract basis across different states. At present, it has three under-construction HAM projects, which is likely to be completed by FY2025.

## Key financial indicators (audited)

BIPPL	FY2021	FY2022
Operating income	828.2	762.8
PAT	78.4	74.6
OPBDIT/OI	14.5%	15.5%
PAT/OI	9.5%	9.8%
Total outside liabilities/Tangible net worth (times)	1.1	1.1
Total debt/OPBDIT (times)	0.5	0.7
Interest coverage (times)	12.4	11.7

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

Instrument	Type	Current rating (FY2023)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of Nov 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
				Dec 20, 2022	Sep 30, 2021	Nov 26, 2020	Feb 07, 2020
1 Fund-based working capital limit	Long-term	93.00	-	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (Positive)

2	Non-fund based limit	Long-term	507.00	--	[[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A-(Positive)
3	Unallocated limit	Long-term	250.00		[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A-(Positive)

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based working capital limit	Simple
Non-fund based limit	Very Simple
Unallocated limit	NA

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: [Click Here](#)

## Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-based working capital limit	NA	NA	-	93.00	[ICRA]A (Stable)
NA	Non-fund based limit	NA	NA	-	507.00	[ICRA]A (Stable)
NA	Unallocated limit	NA	NA	-	250.00	[ICRA]A (Stable)

Source: Company

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

## Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Bekem Engineering Pvt. Ltd.	60.00%	Full Consolidation
Jangareddygudem Projects Private Limited	51.00%	Limited Consolidation
Rajamahendravaram Greenfield Highways Private Limited	51.00%	Limited Consolidation
Eastern Ghats Highway Project Private Limited	50.00%	Limited Consolidation

Source: BIPPL

## ANALYST CONTACTS

**Rajeshwar Burla**

+91 40 4067 6527

[rajeshwar.burla@icraindia.com](mailto:rajeshwar.burla@icraindia.com)

**Ashish Modani**

+91 22 6114 3414

[ashish.modani@icraindia.com](mailto:ashish.modani@icraindia.com)

**Vinay Kumar G**

+91 40 4067 6533

[vinay.g@icraindia.com](mailto:vinay.g@icraindia.com)

**Doddapanani Srisai Bhavya**

+91 40 4067 6519

[doddapanani.bhavya@icraindia.com](mailto:doddapanani.bhavya@icraindia.com)

## RELATIONSHIP CONTACT

**Jayanta Chatterjee**

+91 80 4332 6401

[jayantac@icraindia.com](mailto:jayantac@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001  
Tel: +91 11 23357940-45



### Branches



© Copyright, 2022 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.