March 31, 2025

B. L. Kashyap and Sons Limited: [ICRA]BB-(Stable)/[ICRA]A4 assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long Term/Short Term- Unallocated	25.00	[ICRA]BB- (Stable)/[ICRA]A4; Assigned
Total	**25.00**	

**Instrument details are provided in Annexure I*

Rationale

The assigned ratings consider the extensive experience of B. L. Kashyap & Sons Limited's (BLK) promoters and its long track record in the construction industry, coupled with satisfactory scale of operations and unexecuted order book position of Rs. 3,090 crore as of December 2024, translating into OB/OI of 2.5 times based on FY2024 revenue, which provides near-term revenue visibility. ICRA notes that the company had entered corporate debt restructuring (CDR) in 2014, the term loans pertaining to which have been repaid entirely by FY2025 (except recompense amount). However, the complete closure of the process is pending due to finalisation of the right to recompense (RoR) amount, which would remain a key monitorable from the rating perspective. Further, 99.46% of the total promoter shareholding remains pledged as collateral with the banks till the complete closure of CDR process.

The ratings are, however, constrained by the Group's modest financial risk profile as reflected by stretched working capital cycle, which includes large receivables for a long time, some of which are under dispute. The company's working capital intensity remained high, as reflected in NWC/OI ranging within 30%-70% over FY2020-FY2024, driven by elongated debtors and high unbilled revenues. It successfully received a large amount from one of the long-pending debtor to the tune of Rs. 152 crore in July 2024, which has provided some support to its liquidity. However, due to elongated receivable cycle and almost fully utilised working capital limits, the liquidity profile is likely to remain under stress in the near term. The company's ability to get timely enhancement in working capital lines remains crucial from the credit perspective. The debt protection metrics has improved in the recent years on the back of stable cash accruals and repayment of its long-term liabilities. The ratings are also constrained by the inherent exposure to sizeable contingent liabilities in the form of bank guarantee, mainly for contractual performance, security deposits. Additionally, the company is exposed to project execution risks as any unanticipated delay beyond permitted schedule could result in penalties and cost overruns. The ratings also take into consideration the intense competition in the construction industry, which limits its profitability margin and growth in order book. Further, the company is exposed to risks associated with cyclicality in real estate industry, from which most of the business is derived.

Based on discussion with the BLK's bankers and management, ICRA notes that one of the clients of the company requested for invocation of bank guarantee amounting Rs. 20.85 crore on January 24, 2025, which was settled directly by BLK partially on the same day and the remaining on the next working day. Given the contingent liabilities in the form of BGs (o/s Rs. 243.13 crore as of March 2024), mainly for contractual performance, mobilisation advances and security deposits, the company's cash flows will remain exposed to such invocation risks and will remain a key rating monitorable. Further, ICRA notes that Soul Space Projects Limited (SSPL), which is the subsidiary of BLK defaulted in repayment of its dues to Srei Infrastructure Finance Limited (SREI) in FY2023 and FY2024 and the borrowings stood overdue as on March 31, 2024, which were regularised in the current fiscal as confirmed by the BLK's lender and management. It is, however, noted that BLK will not be extending any financial support to SSPL for its operations, nor has extended any corporate guarantee against the said loan.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company is likely to sustain its operating metrics on the back of an adequate order book. ICRA also expects that BLK would fund its working capital and capex requirement in a manner that its debt protection metrics would remain commensurate with the existing rating.

Key rating drivers and their description

Credit strengths

Extensive experience and long track record of BLK in construction business and established relationship with clients – BLK's promoters have over three decades of experience in the construction business with a pan-India presence, which has aided the company in establishing strong relationship with its clients and securing fresh as well as repeat orders.

Adequate orderbook position – BLK had an unexecuted order book amounting Rs. 3,090 crore as on December 31, 2024 translating into OB/OI of 2.5 times based on FY2024 revenue, which provides near-term revenue visibility. Further, the unexecuted order book is well diversified into commercial (66%), residential (23%) and institutional projects (11%) being executed for private companies (87%) as well as government authorities (13%). The company's operating income witnessed a growth of 10.7% in FY2024 to Rs. 1,228.4 crore (FY2023: Rs. 1,110 crore), supported by an improved execution during the year.

Credit challenges

Modest financial risk profile – The company entered CDR in 2014 owing to strained liquidity in the backdrop of stuck payments from its key customers. Since then, the term loans which were restructured have been repaid by the company by FY2025 and it has primarily availed fund-based as well as non-fund based limits from the banks. BLK's debt protection metrics remained modest as reflected by an interest coverage ratio at 1.9 times in FY2024.

Stretched liquidity profile emanating from working capital-intensive nature of business – The company's working capital intensity has remained high, as reflected in NWC/OI ranging within 30%-70% during FY2020-2024, driven by elongated debtors and high unbilled revenues, which includes large-disputed receivables. While the same improved to 43.2% in FY2024, aided by a focus on collection of receivables and efficient inventory management, the company's ability to improve the same to comfortable levels, given the scale-up in operations, remains a key monitorable. Despite satisfactory profitability, owing to elongated working capital cycle, its cash flows from operations remain weak, thereby straining the overall liquidity position. ICRA notes that the company received large amount from one of the disputed debtors to the tune of Rs. 152 crore in July 2024, which provided some comfort to its liquidity profile. Moreover, the ability to enhance its bank limits will remain a key monitorable.

Project execution risk, intense competition in construction sector and cyclicality associated with real estate industry – The intense competition in the construction business, given the moderate complexity of the work involved and presence of multiple players constrains the company's operating margins. However, the built-in price-variation clause in most contracts mitigates the risk to an extent. Further, it is exposed to risks associated with the cyclicality in real estate industry, which is a major sector from where business is derived.

High contingent liabilities – The entity has exposure to sizeable contingent liabilities in the form of bank guarantees as well as corporate guarantees, mainly for contractual performance and security deposits. Also, BLK is involved in an ongoing litigation with the Employees' Provident Fund Organisation (EPFO) for a sizeable amount, against which the company has made an initial deposit Rs. 15 crore. Any large contingent liabilities materialising on the company adversely impacting the liquidity and credit profile, will remain a key rating monitorable.

Environmental and social risk

BLK operates at multiple project sites simultaneously, and therefore, the risk of business disruptions on account of physical climate risks is low. In cases where BLK is required to deploy additional or specific equipment to contain environmental harm that increases its operating costs, it has the flexibility to seek compensation from its clients. However, given that construction activities contribute to air pollution, entities like BLK remain exposed to the risk of temporary bans on operations in cities that are more sensitive to deteriorating air quality.

Construction entities like BLK also face social risks stemming from the health and safety concerns of workers, manifestation of which could invite regulatory or legal action, besides reputational harm. However, BLK has a track record of maintaining healthy relationships with its workers/employees, including contractual labour with no material incidents of a slowdown in execution because of workforce management issues.

Liquidity position: Stretched

BLK's liquidity remains stretched due to limited cushion in its working capital limits. The average limit utilised remained high at ~90% and 88% for fund-based and non-fund-based facilities, respectively, for the last twelve-month period ending February 2025.

Rating sensitivities

Positive factors – The ratings may be upgraded if the company is able to improve its liquidity position on a sustained basis while maintaining its scale of operations and operating profitability, coupled with an improvement in debt protection metrics. Its ability to enhance its working capital limits in a timely manner to support its growth in business as well as liquidity profile would be a credit positive.

Negative factors – Pressure on the ratings could arise if there is a slowdown in order addition and project execution or moderation in profitability, leading to a material decline in its scale and profitability, along with a deterioration in debt protection metrics. A further stretch in its working capital cycle or materialisation of any contingent liabilities affecting the financial/liquidity profile could result in a rating downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Construction
Parent/Group support	Not applicable
Consolidation/Standalone	While arriving at the ratings, ICRA has considered the consolidated financials of BLK and its wholly owned subsidiaries along with step-down subsidiaries, together referred to as BLK Group.

About the company

Incorporated in 1989, B. L. Kashyap & Sons Limited (BLK) is an engineering, procurement and construction (EPC) company with a pan-India presence. The company undertakes residential, commercial and industrial infrastructure projects (majorly buildings) for private as well as government entities. It is promoted by the three brothers of the Kashyap family (Mr. Vinod Kashyap, Mr. Vineet Kashyap and Mr. Vikram Kashyap) who have over three decades of experience in the construction business. In the past, it had completed large EPC projects such as bullet train multi-modal station at Sabarmati, AIIMS Patna and Raipur, Embassy projects (Bangalore), DLF Downtown, etc. The company is listed on the BSE and NSE.

The company has four subsidiaries namely: BLK Lifestyle Limited (BLKLL), Security Information Systems (India) Limited (SISL), Soul Space Projects Limited (SSPL), and BLK Infrastructure Limited (BLKIL). Further, it has two step-down subsidiaries, namely Soul Space Realty Limited and Soul Space Hospitality Limited, which are held by SSPL.

Key financial indicators (audited)

Consolidated	FY2023	FY2024	9MFY25
Operating income	1,110.0	1,228.4	859.4
PAT	22.1	52.5	30.7
OPBDIT/OI	8.8%	7.7%	6.8%
PAT/OI	2.0%	4.3%	3.6%
Total outside liabilities/Tangible net worth (times)	1.7	1.7	
Total debt/OPBDIT (times)	3.3	3.4	
Interest coverage (times)	1.9	1.9	1.8

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore
PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Key financial indicators (audited)

Standalone	FY2023	FY2024	9MFY25
Operating income	1,091.7	1,214.2	851.4
PAT	52	34.9	31.2
OPBDIT/OI	9.5%	8.0%	6.9%
PAT/OI	4.8%	2.9%	3.7%
Total outside liabilities/Tangible net worth (times)	1.2	1.3	
Total debt/OPBDIT (times)	3.0	3.2	
Interest coverage (times)	2.2	2.0	1.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore
PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three year

	Current (FY2025)				Chronology of rating history for the past 3 years					
			FY2025		FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Unallocated	Long/Short term	25.00	**March 31, 2025**	[ICRA]BB-(Stable)/[ICRA]A4	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term/Short-term - Unallocated	Not applicable

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	**Unallocated**	NA	NA	NA	**25.00**	[ICRA]BB- (Stable)/[ICRA]A4

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
B.L.K. Lifestyle Limited	100%	Full Consolidation
Security Information Systems (India) Limited	100%	Full Consolidation
Soul Space Projects Limited	97.91%	Full Consolidation
BLK Infrastructure Limited	100%	Full Consolidation

Source: BLK annual report FY2024

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ABOUT ICRA LIMITED

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