

March 29, 2022

BBG Infrastructure Private Limited: [ICRA]B (Stable)/[ICRA]A4 assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based Cash Credit	0.25	[ICRA]B (Stable); assigned
Long-term/Short-term – Unallocated	3.35	[ICRA]B (Stable)/[ICRA]A4; assigned
Total	3.60	

*Instrument details are provided in Annexure-1

Rationale

The ratings assigned to BBG Infrastructure Private Limited (BIPL) takes note of the promoters track record in the stone works and granite industry and healthy client profile comprising government departments. BIPL had an order book (OB) of Rs. 13.13 crore as on December 31, 2021, with OB/OI of ~2 times of trailing FY2021 revenues. The company has recently emerged L1 a relatively large order which will improve its order book in the near term.

The ratings are, however, constrained by BIPL's small scale of operations with modest net-worth and limited track record of execution. The rating are constrained by the project & client concentration risk with MMRCL being the only client with two ongoing orders of the company. The ratings are also constrained by the availability of limited working capital facilities, which could constraint its liquidity position as the company is expecting to increase its revenues sharply in the medium term. The ratings are also constrained by the risks associated with the construction business including risk of delays in execution impacting profitability and liquidity.

The Stable outlook on the ratings reflects ICRA's opinion that BIPL will benefit from the extensive experience of its promoters in the construction segment.

Key rating drivers and their description

Credit strengths

Healthy client profile – BIPL is currently executing orders from MMRCL (a 50:50 jointly owned company of Government of India and Government of Maharashtra). BIPL had an order book (OB) of Rs. 13.13 crore as on December 31, 2021, with OB/OI of ~2 times of trailing FY2021 revenues. The company has recently emerged L1 a relatively large order which will improve its order book in the near term.

Promoters experience in stone/granite segment – Promoters of the company has been engaged in granite business for more a decade. BBG had undertaken stone works including flooring, granite works and other finishing works at metro stations.

Credit challenges

Small scale of operations – BIPL's scale of operations is small, as reflected by its OI of Rs. 6.57 crore in FY2021 and net worth of Rs. 0.52 crore as on March 31, 2021. Further, the intense competition in procuring tender-based contracts limits its pricing flexibility and exerts pressure on the profit margins. The firm posted an operating profit margin of 4.88% in FY2021 against operating loss of 8.21% in FY2020 and net profit margins of 3.13% in FY2021. In the 9mFY2022, BBG had billed revenues of Rs. 37 crore, and is expecting to generate revenue of Rs. 45-50 cr in FY2022.

High project and client concentration risks – BIPL has executed contracts mainly for the state government departments. As of Dec-2021, BIPL had only two orders in its order book both from MMRCL in Maharashtra. Given the client concentration, the risk of non-performance in any project or weakening of the business relationship with these clients can have a negative bearing on securing future orders.

Execution risks and non-fund based exposure – BIPL is exposed to the execution risks associated with construction contracts. The construction contracts are exposed to the risk of delays, which could adversely impact profitability. The firm is also exposed to the risk associated with the contingent liabilities in the form of bank guarantees as any crystallisation of these could impact its liquidity.

Liquidity position: Stretched

The firm’s liquidity position is stretched as reflected in the low fund-based bank limits and limited cash buffer of 0.78 crore as on March’2021. With the estimated increase in revenues, its working capital requirement is expected to increase, which could put pressure on its liquidity.

Rating sensitivities

Positive factors – The ratings could be upgraded if the company demonstrates an improvement in revenues and profitability, leading to improvement in its net-worth and liquidity position.

Negative factors – Delay in execution of order book or inability to receive new orders affecting scale and profitability of the company could lead to negative rating action.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Construction Entities
Parent/Group Support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of BIPL.

About the company

BBG Infrastructure Private Limited was incorporated on November 19th, 2019. The company is into Building & construction, structural finishing, Granite Mining, Factories, Flooring & Finishing, road & utility works. BBG has performed structural finishing, plumbing and land development work for parking plaza, Mall and metro stations. Company has also performed road development and utility works in Noida. Currently company has outstanding work order for construction of 2 metro station from Maharashtra Metro Rail Corporation Limited (Maha-metro).

BBG Infrastructure is promoted by Mr. Priyadarshi Balu Agarwal and Mr. Nikhil Bhardwaj. Mr. Priyadarshi Balu Agarwal is a proprietor of Balu Balaji Granite business. Balu Balaji Granite is into granite mining and owns granite mines from where he sold its granites domestically and internationally also. The promoter has an experience of more than a decade in granite business.

Key financial indicators (audited)

OCC Standalone	FY2020	FY2021
Operating Income (Rs. crore)	0.22	6.57
PAT (Rs. crore)	0.00	0.21
OPBDIT/OI (%)	-8.21%	4.88%
PAT/OI (%)	1.58%	3.13%
Total Outside Liabilities/Tangible Net Worth (times)	-	-
Total Debt/OPBDIT (times)	-	-
Interest Coverage (times)	-318.38	176.99

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 years

	Instrument	Current Rating (FY2022)			Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Dec 31, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					March 29, 2022	-	-	-
1	Fund-based Cash Credit	Long-term	0.25	--	[ICRA]B (Stable)			
4	Unallocated	Long term / Short term	3.35	--	[ICRA]B (Stable) / [ICRA]A4			

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based Cash Credit	Simple
Unallocated	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, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No.	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term – Fund-based Cash Credit	NA	NA	-	0.25	[ICRA]B (Stable)
NA	Unallocated	NA	NA	-	3.35	[ICRA]B (Stable)/[ICRA]A4

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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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.

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