

July 13, 2023

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
Long term – Fund based – Cash credit	200.00	200.00	[ICRA]A- (Stable); reaffirmed
Short term– Non-fund based – Bank guarantee	600.00	0.00	-
Long-term/ Short term – Non-fund based – Bank guarantee	0.00	700.00	[ICRA]A-(Stable)/ [ICRA]A2+; reaffirmed/assigned
Long term –Fund based – Term loan	0.00	36.00	[ICRA]A- (Stable); assigned
Long term – Fund based – Proposed cash credit	25.00	0.00	-
Short term – Non-fund based – Proposed bank guarantee	75.00	0.00	-
Total	900.00	936.00	

*Instrument details are provided in Annexure-I

Rationale

The ratings reaffirmation factors in the improved order book position of BSR Infratech India Ltd (BSR) to Rs. 4698.7 crore¹ as of March 31, 2023, with healthy order addition in FY2023 and the company's diversified presence across multiple segments. The ratings also consider the healthy revenue growth of 27.7% YoY during FY2023, on the back of improved order execution from Karnataka-based irrigation and layout development 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 Hassan Urban Development Authority (HUDA), Bagalakote Town Development Authority (BTDA), Bangalore Development Authority (BDA), and Cauvery Neeravari Nigama Limited (CNNL), among others. The ratings also consider the expected improvement in interest coverage with reduction in interest expenses on account of the scheduled repayments of term loan and increase in operating profits, and satisfactory operational track record, with stable and healthy operating margins of ~13% in the past three years.

The ratings are, however, constrained by BSR's high working capital intensity with NWC/OI at 35% in FY2023 owing to high receivables. The receivable days stood high at 158 in FY2023, mainly on account of the pending payments from stalled projects in Andhra Pradesh and sizeable billing in the last quarter. The overall indebtedness of the company was also high with TOL/TNW of 1.7 times as of March 31, 2023, owing to high creditors and sizeable mobilisation advances. The ratings are further constrained by the high geographical concentration risk with majority of the order book confined to Karnataka, and moderate project concentration risks with the top-five projects contributing to 54% of the outstanding order book.

ICRA has also taken note of the stalled projects of Rs. 2455.0 crore being cancelled in FY2022 from the Andhra Pradesh Capital Region Development Authority (APCRDA). Although the company's net receivables position has remained at Rs. 74.8 crore from the stalled projects, the outstanding bank guarantee for these projects has reduced to Rs. 15.9 crore as on May 31, 2023, from Rs. 121.5 crore as on March 31, 2022. Any adverse developments on the stalled projects will remain a key monitorable. The ratings note the stiff competition in the construction sector, which could put pressure on the new order inflows and the company's exposure to sizeable contingent liabilities in the form of bank guarantees, mainly for contractual performance,

¹ Order book is adjusted for slow moving of Rs.359.2 crore

mobilisation advance and retention money. Nonetheless, ICRA draws comfort from its execution track record and absence of invocation of guarantees in the past.

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 timely receipt of payments from its key customers.

Key rating drivers and their description

Credit strengths

Strong order book position provides medium-term revenue visibility – BSR's order book position improved to Rs. 4,698.7 crore (adjusted for slow-moving orders) as on March 31, 2023, which is 4.2 times of FY2023 revenues, providing medium-term revenue visibility. Further, BSR witnessed a healthy revenue growth of 27.7% YoY during FY2023, on the back of improved order execution from Karnataka-based irrigation and layout development orders, 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, layouts, building and roads segments. Further, the current order book comprises orders from reputed public-sector entities viz., HUDA, BTDA, BDA, and CNL among others, resulting in relatively lower counterparty credit risk.

Moderate financial risk profile - The company's debt coverage indicators are moderate with interest coverage of 4.5 times and DSCR of 2.4 times in FY2023. 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 35% in FY2023 owing to high receivables. The receivable days stood high at 158 days in FY2023, mainly on account of the pending payments from stalled projects in Andhra Pradesh and sizeable billings in the last quarter. The company had outstanding debtors of Rs. 483.5 crore as on March 31, 2023, which reduced to Rs. 467.6 crore as on May 31, 2023, and is expected to reduce further with timely receipt of payments from its key customers in the near term.

High geographical concentration risk - BSR is exposed to high geographical concentration risk as majority of the order book is confined to Karnataka, and moderate project concentration risk with the top-five projects contributing to 54% of the outstanding order book. However, diversified order book with presence across multiple segments, reputed public-sector entities, satisfactory operational track record and project progress mitigate this risk to an extent.

Rise in overall indebtedness - The overall indebtedness of the company was high with TOL/TNW of 1.7 times as of March 31, 2023, owing to high creditors and sizeable mobilisation advances. The is expected to improve in the near term on account of reduction in mobilisation advances and improved net worth levels.

Liquidity position: Adequate

The liquidity position of the company is adequate, with free cash and balances of Rs. 7.13 crore and cushion of Rs. 47 crore in working capital limits as on March 31, 2023. The average working capital utilisation for the past 12 months ending May 2023 remained moderate at 83%. The company has debt obligations of Rs. 20.4 crore and no major capex plans in FY2024, which can be comfortably met through estimated cash flow from operations.

Rating sensitivities

Positive factors – ICRA could upgrade BSR’s ratings, if there is business diversification along with 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 below 1.3 times, on a sustained basis.

Negative factors – Pressure on BSR’s ratings may arise, if any 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

	FY2022	FY2023*
Operating income (Rs crore)	875.7	1,118.1
PAT (Rs crore)	51.7	71.2
OPBDIT/OI	12.6%	12.5%
PAT/OI	5.9%	6.4%
Total outside liabilities/Tangible net worth (times)	1.6	1.7
Total debt/OPBDIT (times)	1.6	1.4
Interest coverage (times)	4.0	4.5

Source: Company; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore; *- Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)			Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of Mar 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023		Date & rating in FY2022	Date & rating in FY2021
				Jul 13, 2023	Sep 05, 2022	Jun 14, 2022	-	-
1 Cash Credit	Long term	200.00	-	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	-	-
2 Bank Guarantee	Short term	-	-	-	[ICRA]A2+	[ICRA]A2+	-	-
3 Bank Guarantee	Long term and short term	700.00	-	[ICRA]A-(Stable)/[ICRA]A2+	-	-	-	-
4 Term Loans	Long term	36.00	36.00	[ICRA]A-(Stable)	-	-	-	-
5 Proposed Cash Credit	Long term	-	-	-	[ICRA]A-(Stable)	-	-	-
6 Proposed Bank Guarantee	Short term	-	-	-	[ICRA]A2+	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Cash credit	Simple
Long-term/ Short -term – Non-Fund Based – Bank Guarantee	Very Simple
Long-term fund-based – Term Loan	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: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	NA	NA	NA	200.00	[ICRA]A- (Stable)
NA	Bank Guarantee	NA	NA	NA	700.00	[ICRA]A- (Stable)/ [ICRA]A2+
NA	Term Loans	2021	NA	2028	36.00	[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: 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.

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