

October 04, 2024

BSR Infratech India Limited: Ratings reaffirmed

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
Long-term/ Short-term – Non-fund based – Bank guarantee	700.00	700.00	[ICRA]A-(Stable)/ [ICRA]A2+; reaffirmed
Long-term –Fund-based – Term loan	36.00	23.85	[ICRA]A-(Stable); reaffirmed
Long-term/ Short-term - Proposed NFB limits	-	12.15	[ICRA]A-(Stable)/ [ICRA]A2+; reaffirmed
Total	936.00	936.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation for BSR Infratech India Limited (BSR) factors in the healthy improvement in operating income (OI) to Rs. 1,508.0 crore in FY2024 from Rs. 1,118.1 crore in FY2023, which is expected to sustain in the medium term. The order book (OB) is healthy at Rs. 4,052.5 crore as on June 30, 2024 (translates to OB/OI of 2.7 times) and provides medium-term revenue visibility. Its debt coverage metrics marked by interest cover improved to 4.6 times in FY2024 from 2.7 times in FY2021 on account of healthy operating profits and decrease in interest expense. With the expected healthy operating profits, interest cover likely to improve and remain comfortable in the medium term. The order book is diversified with presence in irrigation, layouts, building and road segments and has moderate project concentration with top five projects accounting for 43.7% of the order book as on June 30, 2024. BSR primarily executes works for Karnataka state government agencies like VJNL¹, CNNL, H&FWD, KRDC, HUDA, BTDA, BDA, which results in low counterparty credit risk and supports its credit profile.

The ratings are, however, constrained by BSR's high working capital intensity with NWC/OI at 32% in FY2024 owing to high receivables. The receivable days stood high at 161 in FY2024, mainly on account of the pending payments from the stalled projects in Andhra Pradesh and sizeable billings in the last quarter. The company's average utilisation stood high at around 90% for the last four months ending August 2024. Nonetheless, the liquidity position is expected to improve with enhancement in working capital limits and remains a key rating monitorable. The working capital requirements are met by mobilisation advances from customers and trade payables resulting in TOL/TNW of 1.7 times as on March 31, 2024. Nevertheless, supported by recovery in debtors and accretion to net worth, the leverage is expected to reduce going forward, with TOL/TNW likely to reduce below 1.5 times in FY2025e and below 1.3 times in FY2026e.

The ratings factor in the high geographical concentration risk with majority of the order book confined to Karnataka. ICRA had also taken note of the stalled projects of Rs. 2,455.0 crore cancelled in FY2022 from the Andhra Pradesh Capital Region Development Authority (APCRDA). The company's net receivables position declined to Rs. 37.4 crore as on August 31, 2024 from Rs. 74.8 crore as on March 31, 2023 and outstanding bank guarantees for these projects reduced to Rs. 15.5 crore as on August 31, 2024. 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, margins and the company's exposure to sizeable contingent liabilities in the form of bank guarantees, mainly for contractual performance, mobilisation

¹ VJNL – Visvesvaraya Jala Nigam Limited, CNNL-Cauvery Neeravari Nigama Limited, H&FWD- Health and Family Welfare Department, KRDC- Karnataka Road Development Corporation, HUDA- Hassan Urban Development Authority; BTDA- Bagalakote Town Development Authority, BDA- Bangalore Development Authority

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 sustained track record of operations.

Key rating drivers and their description

Credit strengths

Healthy order book position provides revenue visibility – BSR's order book position stood healthy at Rs. 4,052.6 crore as on June 30, 2024, which translates to OB/OI of 2.7 times providing medium-term revenue visibility. The company received new orders of Rs. 1,217.9 crore and Rs. 487.3 crore in FY2024 and Q1F Y2025. Further, the company expects sizeable order addition in H2 FY2025, which will improve its order book position. Its revenues witnessed strong growth over the last three years, at a CAGR of ~25% to Rs. 1,508.6 crore in FY2024 from Rs. 775.2 crore in FY2021, supported by healthy order book position and execution. The revenue is expected to improve to over Rs. 1,700.0 crore in FY2025, aided by improved order execution.

Comfortable coverage metrics – The company's interest cover improved to 4.6 times in FY2024 from 2.7 times in FY2021 on account of healthy operating profits and decrease in interest expense. With the expected healthy operating profits, the interest cover likely to improve and remain comfortable in the medium term.

Diversified order book across segments and reputed client profile – The order book is diversified with presence in irrigation, layouts, building and road segments. The project concentration stood moderate with top five projects accounting for 43.7% of the order book as on June 30, 2024. BSR primarily executes works for Karnataka state government agencies, which results in a low counterparty credit risk. At present, the company's key clientele includes VJNL, CNNL, H&FWD, KRDC, HUDA, BTDA, BDA, etc.

Credit challenges

High working capital intensity – The company has high working capital intensity with NWC/OI of 32% in FY2024 mainly on account of high debtor days of 161 in FY2024. The average working capital limit utilisation remained high at around 90% in the past four months ending August 2024. Nonetheless, the liquidity position is expected to improve with enhancement in working capital limits and remains a key rating monitorable. The working capital requirements are also met by mobilisation advances from customers and extended trade payables resulting in TOL/TNW of 1.7 times as on March 31, 2024.

High geographical concentration risk – Although the company's order book is spread across four states (Karnataka, Andhra Pradesh, Maharashtra and Orissa), it is exposed to high concentration risk with more than 80% of the orders from Karnataka. With expected receipt of new orders from other states in the near term, the geographical concentration is likely to reduce.

Risks associated with construction sector including volatility in operating profits and sizeable non-fund based exposure – BSR is exposed to the cyclical nature inherent in the construction industry and intense competition in the tender-based contract award system, resulting in the risk of volatility in order inflows, revenues, and pressure on profit margins. However, its long presence and established relationships with clients, provide comfort. Most of the contracts have the provision for price variation of key raw materials such as cement and steel, which protects the profitability to an extent. In FY2024, the company's operating margins declined to 10.1% in FY2024 from 12% in FY2023 on account of increase share of lower margin works and corporate expenses. However, the same is expected to revert to earlier levels in the current year and remains a key rating monitorable.

It is also exposed to sizeable contingent liabilities in the form of BGs (~Rs. 639.5 crore as on August 31, 2024), mainly towards performance guarantee, mobilisation advances and raw materials. Nonetheless, ICRA draws comfort from BSR's healthy execution track record and no invocation of guarantees in the past.

Liquidity position: Adequate

The company's liquidity position is adequate, with free cash and balances of Rs. 18.03 crore as on March 31, 2024 and cushion of ~Rs. 20.0 crore in working capital limits as on August 31, 2024. It has debt obligations of Rs. 19.6 crore and low capex plans in FY2025, which can be comfortably met through estimated cash flow from operations. Further, enhancement in working capital limits is also expected to support its liquidity position in the near term.

Rating sensitivities

Positive factors – ICRA could upgrade BSR's ratings, if there is business diversification along with improvement in revenues and 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 prolonged 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 Construction
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financial statements of the company.

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 (audited)

	FY2023	FY2024
Operating income	1118.1	1508.6
PAT	67.2	76.5
OPBDIT/OI	12.0%	10.1%
PAT/OI	6.0%	5.1%
Total outside liabilities/Tangible net worth (times)	1.7	1.7
Total debt/OPBDIT (times)	1.5	1.6
Interest coverage (times)	4.3	4.6

Source: BSR, ICRA Research; 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	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	FY2025		FY2024		FY2023		FY2022	
		Amount Rated (Rs. crore)	Oct 04 ,2024	Date	Rating	Date	Rating	Date	Rating
Long term-term loan-fund based	Long Term	23.85	[ICRA]A- (Stable)	13-JUL-2023	[ICRA]A- (Stable)	-	-	-	-
Long term / short term-proposed-non fund based	Long Term/Short Term	12.15	[ICRA]A- (Stable)/[ICRA]A2+	-	-	-	-	-	-
Long term / short term-bank guarantee-non fund based	Long Term/Short Term	700.00	[ICRA]A- (Stable)/[ICRA]A2+	13-JUL-2023	[ICRA]A- (Stable)/[ICRA]A2+	-	-	-	-
Long term-cash credit-fund based	Long Term	200.00	[ICRA]A- (Stable)	13-JUL-2023	[ICRA]A- (Stable)	14-JUN-2022	[ICRA]A- (Stable)	-	-
				-	-	05-SEP-2022	[ICRA]A- (Stable)	-	-
Bank guarantee	Short Term					14-JUN-2022	[ICRA]A2+		
						05-SEP-2022	[ICRA]A2+		
Proposed cash credit	Long Term					05-SEP-2022	[ICRA]A- (Stable)		
Proposed bank guarantee	Short Term					05-SEP-2022	[ICRA]A2+		

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Cash credit	Simple
Short-term/ Long-term – Non-fund based – Bank guarantee	Very Simple
Long-term –Fund-based – Term loan	Simple
LT/ST-Proposed NFB limits	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: [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	23.85	[ICRA]A- (Stable)
NA	Proposed NFB limits	NA	NA	NA	12.15	[ICRA]A- (Stable)/ [ICRA]A2+

Source: SIBPL, ICRA Research

[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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