

Backbone Enterprises Limited

Instrument	Amount (Rs Crore)	Rating Action
Long Term Fund Based-Cash Credit	85.00	[ICRA]A-(Stable) reaffirmed
Long Term Fund Based-Term Loan	95.00	[ICRA]A-(Stable) reaffirmed
Short Term Non Fund Based Limits	420.00	[ICRA]A2+ reaffirmed

ICRA has reaffirmed the long term rating of [ICRA]A- (pronounced ICRA A minus) on the Rs 95 crore (enhanced from Rs 87.50 crore) term loans, Rs. 75 crore cash credit limits and the Rs 10 crore working capital demand loan of Backbone Enterprises Limited (BEL). The outlook on the long term rating is 'Stable'. ICRA has also reaffirmed the short term rating of [ICRA]A2+ (pronounced ICRA A two plus) on the Rs. 420 (enhanced from Rs 412.50 crore) non-fund based facilities of BEL.

The ratings continue to take into account the promoters' long track record of over twenty five years in the civil construction business coupled with the company's status of "AA" class contractor and Special Category-1 registration with Government of Gujarat; and its diversified sectoral and geographical presence across segments like Roads, Housing and Irrigation projects. The ratings also take into account the expected build-up in the revenues going forward on the back of a healthy order book position of Rs. ~1800 crore (~3.1 times FY15 operating income), and several other orders under bid evaluation process. The ratings continue to be supported by the reputed and diversified client portfolio consisting mainly of government and semi-government agencies such as National Highway Authority of India (NHAI), Roads and Building (R&B) divisions, Municipal Corporations of various cities, Irrigation departments, Gujarat Industrial Development Corporation; reputed government undertakings like National Building Corporation Company Limited, etc. ICRA also notes the improvement in the financial risk profile of the company over the years, on account of the healthy internal accruals as reflected in the sustained improvement in its capital structure and coverage indicators.

The ratings are, however, constrained by the high competitive intensity in the civil construction space; and the project order based nature of the business, with the risk of reduction in work flow in case of any prolonged down-cycle in the construction industry. ICRA also takes into account the high working capital intensity of the company's operations due to high work in progress given the payment releases being linked to milestone achievements; the vulnerability of its profitability to fluctuations in input prices in some projects which do not have the price escalation clause; and the criticality of timely completion and delivery as per contract terms in order to avoid LD claims.

With a stable outlook for the infrastructure and construction space over the near term, the company's prospects remain good. ICRA expects BEL's revenues to grow by about 15% in FY 2016-17 (with FY2015-16 as the base), given the current order book and plans in pipeline. The large order execution in Odisha (Rs 830 Cr between two road projects) is likely to bring synergies and yield better margins for the company. The higher proportion of orders outside Gujarat will allow diversification of revenue stream and make the company eligible for larger orders in other states in the future.

Company Profile

Backbone Enterprises Limited (BEL) was established in 1991 as a partnership firm named Backbone Enterprise by Mr. Kishor Viramagama, Mr. Bhupendrakumar Panchani, and Mr. Bhovan Rangani in Rajkot (Gujarat). It was reconstituted as a public limited company in July 2002. BEL is primarily engaged in infrastructure development and construction of roads and highways. The company is also into construction of earthwork and dams, and water distribution projects. Further, BEL has operational capacity of 15 MW solar power.

Recent Results

During FY 2015, BEL reported operating income of Rs. 593 crore and profit after tax of Rs. 29 crores as against operating income of Rs. 640 crore and profit after tax of Rs. 20 crores in FY 2014. Further, during FY 2016 BEL reported operating income of Rs. 528 crore and profit after tax of Rs. 29 crores (as per unaudited provisional financials).

May 2016

For further details please contact:

Analyst Contacts:

Mr. K. Ravichandran, (Tel. No. +91-44-45964301)
ravichandran@icraindia.com

Relationship Contacts:

Mr. Jayanta Chatterjee (Tel. No. +91-80-43326401)
jayantac@icraindia.com

© Copyright, 2016, 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 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.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Bangalore****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500