

Barbrik Project Limited

June 06, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based-Term Loan	0.50	0.50	[ICRA]A- (Stable); Outstanding
Fund-based- Working Capital Facilities	26.50	44.50	[ICRA]A- (Stable); Assigned/Outstanding
Non-fund based-Working Capital Facilities	173.00	221.00	[ICRA]A- (Stable); Assigned/Outstanding
LT- Unallocated limits	-	84.00	[ICRA]A- (Stable); Assigned
Total	200.00	350.00	

Rating action

ICRA has outstanding rating of [ICRA]A- (pronounced ICRA A minus) for Rs. 200-crore¹ fund based and non-fund based bank facilities of Barbrik Project Limited (BPL)². ICRA has also assigned the rating of [ICRA]A- (pronounced ICRA A minus) to the Rs 150 crore enhanced fund based and non-fund based bank limits as well as unallocated long term limits of the company. The outlook on the long-term rating is Stable.

Rationale

The rating considers BPL's operational track record of three decades with demonstrated ability in executing road-construction projects. The rating also notes the robust growth in BPL's operating income during the last three financial years, aided by healthy execution of road construction projects. Besides, stable operating profitability led to improvement in profits and cash flows, and consequently debt coverage indicators of the company. BPL's satisfactory order execution in FY2018 is likely to help it maintain a strong financial profile. While reaffirming the rating, ICRA has also taken into account BPL's healthy order book worth Rs. 1,951 crore as on March 31, 2018 (3.6 times of the OI in FY2018), which provides revenue visibility over the medium term. In addition, the reputed client profile of the company, consisting of Government and semi-government agencies, reduces counterparty risks.

The rating is, however, constrained by the intensely competitive business environment, characterised by the presence of numerous players. This, coupled with a tender-based contract-awarding system, tends to keep operating margins under check. The rating is also constrained by the segmental concentration, as reflected by road construction projects, contributing to 76% of the outstanding order book. In addition, any delays in receipt of clearances from the authorities or delays in project execution by the company, could have a potential impact on the future revenue growth and liquidity position. However, given the healthy order book position, the company has enhanced and is in the process of further increasing its bank guarantee as well as cash credit limits from other banks, which gives it financial flexibility and supports liquidity. Going forward, the company's ability to execute orders in a timely manner, while maintaining its profitability and managing its working capital requirements will remain key rating sensitivities.

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

Outlook: Stable

ICRA believes that BPL Ltd. will continue to improve its operating profile, supported by a healthy order book position as well as its track record of timely order execution. The outlook may be revised to Positive if substantial growth in revenue and profitability, and better working capital management strengthen its financial risk profile. The outlook may be revised to Negative in case of weakening of the financial risk profile owing to drop in operating profitability, delay in project execution and higher receivable position from government agencies.

Key rating drivers

Credit strengths

Extensive experience of promoters in the civil construction business - BPL's promoters have experience of around three decades in the civil construction industry, and the company has proven execution capability in the road construction projects that it undertakes for both state and national highways. With timely completion of the previous projects, the company's technical eligibility has improved over the years.

Healthy growth in operating income during last three financial years; healthy outstanding order-book position provides revenue visibility – The operating income of BPL witnessed a compounded annual growth rate of 30% during FY2015-FY2018, backed by an increase in order inflows and successful execution of the same. BPL had an outstanding order book of ~Rs. 1,951 crore as on March 31, 2018, which indicates a trailing book-to-bill ratio of ~3.6 times of FY2018 revenues. These orders are scheduled to be executed over the next two to three years, providing revenue visibility in the near to medium term.

Comfortable financial profile, reflected by healthy operating profit margin, favourable capital structure and healthy debt-coverage indicators – The company has a comfortable financial risk profile, as reflected by a healthy operating profit margin of 12.02% in FY2017. This coupled with healthy accretion to reserves resulted in a favourable capital structure, as reflected by a gearing of 0.57 times as on March 31, 2017. The debt-protection metrics of BPL have also remained comfortable as reflected by interest cover, NCA/total debt and total debt/OPBDITA of 8.98 times, 72.9% and 0.93 times, respectively in FY2017. BPL's satisfactory order execution trend in FY2018 is likely to help it maintain a strong financial profile.

Client portfolio, comprising Government and semi-government agencies, reduces counterparty risks - The client portfolio of BPL comprises various Government and semi-government agencies like Road Construction Department, State Highways Authority, Building Construction Department, National Highway Authority of India etc, which result in low counterparty credit risk.

Credit weaknesses

Delays in execution of contracts could adversely impact revenue growth and liquidity position - The current orders have an average tenure of two to three years. However, delays, if any, in receipt of clearances from the awarding authorities or delays in project execution by the company could have a potential impact on its future revenue growth and liquidity position.

Intense competition, tender-based contract awarding system keep margins under check – ICRA notes that the civil-construction industry is intensely competitive due to its fragmented nature with the presence of a large number of players. This coupled with the lowest bidding system keeps margins of all players, including BPL, under check. The margin is also exposed to volatility in raw material prices. ICRA, however, notes that the built-in price-variation clause in most of the contracts mitigates the said risk to an extent.

Segment concentration as road construction contributes around 76% to BPL's order book– BPL derives a significant portion of its revenue from the road construction and the balance from the logistics service provided to other entities. Around 76% of the outstanding order book belongs to the road construction projects, exposing it to the sectoral concentration risk.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

[Rating Methodology for Construction Entities](#)

About the company

Incorporated as a partnership firm in 1985, Barbrik Project Limited (BPL) was subsequently converted into a limited company in 2008. The company is involved in civil construction and its core area of operation includes construction of roads, bridges and highways for various Government agencies and public sector units. The company's current projects are primarily located in Jharkhand and Chhattisgarh.

In FY2017, the company reported a net profit of Rs. 28.91 crore on an operating income of Rs. 494.01 crore compared to a net profit of Rs. 18.02 crore on an operating income of Rs. 311.97 crore in the previous year. In FY2018, the company is expected to record a net profit of Rs. 30.50 crore on an operating income of Rs. 535 crore.

Key Financial Indicators (Audited)

	FY 2016	FY 2017
Operating Income (Rs. crore)	311.97	494.01
PAT (Rs. crore)	18.02	28.91
OPBDIT/ OI (%)	12.28%	12.02%
RoCE (%)	33.58%	39.32%
Total Debt/ TNW (times)	0.68	0.57
Total Debt/ OPBDIT (times)	1.21	0.93
Interest coverage (times)	6.69	8.98
NWC/ OI (%)	-2%	1%

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

	Instrument	Type	Current Rating (FY2019)		Chronology of Rating History for the past 3 years			
			Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating June 2018	Date & Rating in FY2018 December 2017	Date & Rating in FY2017 January 2017	Date & Rating in FY2016
1	Term Loan	Long Term	0.50	0.50	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]BBB+(Stable)	-
2	Cash Credit	Long Term	44.50	-	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]BBB+(Stable)	-
3	Bank Guarantee	Long Term	221.00	-	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]BBB+(Stable)	-
3	Unallocated	Long Term	84.00	-	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]BBB+(Stable)	-

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	Dec 2014	NA	FY2018	0.50	[ICRA]A- (Stable)
NA	Cash Credit	NA	NA	NA	44.50	[ICRA]A- (Stable)
NA	Bank Guarantee	NA	NA	NA	221.00	[ICRA]A- (Stable)
NA	LT-Unallocated	NA	NA	NA	84.00	[ICRA]A- (Stable)

Source: Barbrik Project Limited

ANALYST CONTACTS

Jayanta Roy
+91 33 7150 1100
jayanta@icraindia.com

Kaushik Das
+91 33 7150 1104
kaushikd@icraindia.com

Sumit Jhunjunwala
+91 33 7150 1111
sumit.jhunjunwala@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries:

+91-124-2866928 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

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.

For more information, visit www.icra.in

ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 6606 9999

© Copyright, 2018 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