



## Press Release

### **Brundavana Constructions Private Limited (BRCPL)**

**October 30, 2024**

#### **Ratings**

<b>Instrument/Facility</b>	<b>Amount (Rs. crore)</b>	<b>Current Ratings</b>	<b>Previous Ratings</b>	<b>Rating Action</b>	<b><u>Complexity Indicator</u></b>
Long Term Facilities	25.00	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)	-	Assigned	Simple
Short Term Facilities	80.00	IVR A3 (IVR A Three)	-	Assigned	Simple
<b>Total</b>	<b>105.00</b> <b>(One Hundred and Five Crore only)</b>				

**Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.**

#### **Detailed Rationale**

The assignment of ratings by Infomerics ratings to the bank facilities of Brundavana Constructions Private Limited (BRCPL) considers proven track record and experienced promoters in construction industry, comfortable debt protection metrics & capital structure, improving scale of operations with moderate profitability margins and healthy order book position. The rating is however constrained by working capital intensive operations, tender-based nature of operations with intense competition in the industry and concentration risk.

The stable outlook reflects the fact that the entity will continue to benefit from the experienced promoters in construction industry.

#### **Key Rating Sensitivities:**

##### **Upward Factors**

- Substantial & sustained improvement in total operating income and/or EBITDA margins leading to improvement in debt protection metrics & capital structure.

##### **Downward Factors**

- Significant decline in revenue and profitability leading to lower net cash accrual and deterioration in debt coverage indicators and/or any further stretch in operating cycle impacting the firm's liquidity position.



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- Any delay in execution of existing order book as envisaged affecting the cash flow generating ability of the Company.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Proven track record and experienced promoters in construction industry**

BRCPL is a civil construction company engaged in the construction of mainly irrigation infrastructure work. The Company started its operations in 2021. The promoter of the company Mr. Chilakuri Harihara Ravi (Managing Director) has 20 years of experience in the civil construction industry. Mr. Ravi started as a sole proprietor in 2008 and undertook civil contracts work in the segment of irrigation, urban infrastructure, and water supply. From 2014 to 2021 he was associated with M/s. Amrutha Constructions Pvt. Ltd.

- **Comfortable debt protection metrics & capital structure**

The debt protection metrics of the company remained satisfactory marked by interest coverage ratio of 9.64x in FY24 (Audited) [refers to period April 1, 2023, to Mar 31, 2024]. Further, total debt to NCA remained moderate at 1.86 times as on March 31, 2024. The DSCR as on 31<sup>st</sup> March 2024 stood at a comfortable 3.61x. The financial risk profile of the company is marked by healthy capital structure and debt protection metrics. The overall gearing stood at 0.65x as on March 31, 2024, as against 0.77x as on March 31, 2023. The total indebtedness of the company reflected by TOL/TNW improved to 1.66x as on March 31, 2024, against 2.18x as on March 31, 2023.

- **Improving scale of operations with moderate profitability margins**

BRCPL scale of operations have been increasing with total operating income of Rs. 171.78 crore in FY24, compared to Rs. 127.46 crore in FY22. The operating income though remained stable from FY23 to FY24 due to the elections in the state of Karnataka and hence the model code of conduct was implemented. Also, the change in government post the elections led to further delay in new fresh orders from the government. The company's EBITDA margins increased marginally to 11.85% in FY24 compared to 11.34% in FY23. Further, the tangible net worth also increased to Rs. 40.52 crore as on March 31, 2024.



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- **Healthy order book position:**

The company has an unexecuted order book position of Rs. 457.25 crore (2.66x of total revenue for FY24) which is to be completed in 18-24 months thus providing satisfactory revenue visibility in near to medium term. Also, the company has a bid book of Rs. 990.00 crore worth of orders.

### **Key Rating Weaknesses**

- **Working capital-intensive operations**

Construction business, by its nature, is working capital intensive as a large amount of working capital remains blocked in earnest money deposits and retention money. This apart, its clients are government departments/entities having various procedural requirements where payments are relatively slow. The operating cycle increased to 93 days in FY24 from 7 days in FY23. The average collection period and average creditors period stood at 140 days and 51 days respectively in FY24. Further, its average fund based working utilization for the 12 months ended August 2024 stood at ~81%.

- **Tender-based nature of operations with intense competition in the industry**

The company is mostly getting its orders through tenders floated by various government departments. As the infrastructure industry is highly fragmented due to presence of many organized and unorganized players tender driven nature of business leads to volatility in revenue and profitability. Further, being in infrastructure segment the company is exposed to inherent risks associated in this industry like slowdown in new order inflows, risks of delays in execution, delay in payments from the government, fluctuating input costs etc. Further, since the nature of operations is tender based, the business depends on the ability to bid for contracts successfully. Further, being a regional player, BRCPL executes projects only in Karnataka. Thus, remains susceptible to any slowdown in tenders floated in the region or changes in government policies.

- **Concentration risk**

BRCPL's focus is mainly on irrigation work hence, there exists segment concentration risk. Almost all the orders were executed through JV's as the company was in its initial stage



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and hence did not have the pre-bid qualification. The pre-bid qualification of the company has increased over the years and now stands at Rs. 400 crore which would help reduce their dependence on sub-contracting orders. Further, the present order book is skewed towards Karnataka Irrigation projects indicating a geographical and customer concentration risk. However, the company has adequate experience to execute projects in the states and irrigation divisions which provide comfort.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Infrastructure Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning Rating Outlook](#)

[Criteria on default recognition and curing period](#)

[Criteria – Complexity Level of Rated Instruments/Facilities](#)

### **Liquidity – Adequate**

Brundavana Constructions Private Limited liquidity remains adequate as evidenced by the company's working capital utilization which stood at an average of ~ 80.99% against sanctioned limits for the last 12-month period till August 2024. For FY24 the Company's GCA post interest stood at Rs. 14.13 Crore as against projected repayment of Rs. 2.86 crore in FY25. Cash & Bank Balances as on 31<sup>st</sup> March 2024 stood at Rs. 1.05 Crore. Current Ratio for the company stood at 2.27x as on 31<sup>st</sup> March 2024.

### **About the Company**

Brundavana Constructions Private Limited was incorporated in the year 2021, having its registered office at Bangalore, Karnataka. Presently, the company is engaged in civil construction - mainly in the Lift Irrigation Work's. The company's promoters are Mr. Chilakuri Harihara Ravi and Mrs. Namala Venkatesh Aruna.



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### Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	169.82	171.78
EBITDA	19.26	20.36
PAT	11.84	12.22
Total Debt	21.76	26.32
Tangible Net Worth	28.29	40.52
EBITDA Margin (%)	11.34	11.85
PAT Margin (%)	6.97	7.11
Overall Gearing Ratio (x)	0.77	0.65
Interest Coverage (x)	13.94	9.64

\* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: None

Any other information: None

### Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Long Term Facilities – Overdraft	Long Term	15.00	IVR BBB-/ Stable	-	-	-
2.	Proposed Long Term Facilities – Cash Credit	Long Term	10.00	IVR BBB-/ Stable	-	-	-
3.	Short Term Facilities – Bank Guarantee	Short Term	40.00	IVR A3	-	-	-
4.	Proposed Short Term Facilities – Bank Guarantee	Short Term	40.00	IVR A3	-	-	-

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities – Overdraft	-	-	-	-	15.00	IVR BBB-/Stable



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Proposed Long Term Fund Based Bank Facilities – Cash Credit	-	-	-	-	10.00	IVR BBB-/Stable
Short Term Non-Fund Based Working Capital Facilities – Bank Guarantee	-	-	-	-	40.00	IVR A3
Proposed Short Term Non-Fund Based Working Capital Facilities – Bank Guarantee	-	-	-	-	40.00	IVR A3

**Annexure 2: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Len-Brundavana-Constructions-30oct24.pdf>

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable**

**Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable**

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).