



## Press Release

### **BBG Infrastructure Private Limited**

**November 19, 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 Bank Facilities - Cash Credit	2.25	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	-	Assigned	Simple
Short Term Bank Facilities - Bank Guarantee	71.00	IVR A3+ (IVR A Three Plus)	-	Assigned	Simple
Proposed Short Term Bank Facilities - Bank Guarantee	16.75	IVR A3+ (IVR A Three Plus)	-	Assigned	Simple
<b>Total</b>	<b>90.00 (Rs. Ninety Crores Only)</b>				

**Details of Facilities are in Annexure 1. Facility wise lender details are at Annexure 2.**

**Detailed explanation of covenants is at Annexure 3.**

#### **Detailed Rationale**

Infomerics Ratings has assigned ratings of IVR BBB/Stable, IVR A3+ to the bank facilities of BBG Infrastructure Private Limited (BBGIPL) which derive strength from its healthy order book position, comfortable capital structure and debt coverage indicators, healthy EBITDA and profitability margins, experienced promotor and modest working capital requirements contributing to strong liquidity position. However, these rating strengths are partially offset by relatively small scale of operations, high geographic and client concentration risk and entirely tender driven nature of business.

The outlook of BBGIPL is expected to remain stable as it is expected to benefit from the extensive experience of the promoters and healthy order book position, supported by favourable industry outlook. Additionally, it has a comfortable capital structure with adequate debt protection metrics.



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### Key Rating Sensitivities:

#### Upward Factors

- Sustained revenue growth while maintaining EBITDA margins at current high levels. Achieving a significantly higher scale while maintaining low leverage levels would be beneficial for the company.
- Significant growth in cash accruals and prudent working capital management

#### Downward Factors

- Any decline in revenue and profit margin on a sustained basis
- Moderation in the capital structure with significant deterioration in overall gearing ratio
- Deterioration in debt protection metrics and total debt/GCA

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Healthy order book position**

The company has a strong unexecuted order book amounting to ~Rs. 814 crore which is around 8x the current revenue of FY24 providing revenue visibility in near to medium term. Further in FY23-FY24 BBGIPL bid for 300 bedded hospital, housing projects, landmark projects such as Deeksha Bhumi, Koradi temple, zero-mile subway construction (Nagpur) etc. Infomerics notes that while there has been limited progress in case of 6 orders, the same is attributed to extraneous factors such as change in layout of flats in case of mass housing scheme contracts, and issues related to land acquisition NOCs awaited from various government departments in other cases. These clearances are expected to be obtained soon, paving the way for execution of these projects. Successful execution of the projects will also help the company in getting repeated and large-sized orders from clients. Timely execution of the contracts will be key for the company in scaling up the current operations.

- **Healthy EBITDA and profitability margin**



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Total operating income (TOI) of the company has increased at CAGR of ~145% during last three financial years and stood at ~Rs.96.71 crore at the end of FY24 on the back of higher execution of in hand projects. This apart, in FY24, EBITDA margin has improved to 20.54% from 18.98% in FY23 and PAT margin improved to 14.26% during FY24 from 14.09% in FY23. Margins are high as the company specifically bids for only high margins specialized projects which are complex in nature and require specialized skills. BBGIPL is able to qualify and participate on the basis of similar nature of work done previously. The work related to a project is mostly done in-house with minimal reliance on outsourcing to subcontractors. Additionally in the various works contracts there is 100% pass through of increases in input costs which are referenced to external price indices of raw materials such as steel and cement, as well as labour and fuel such as diesel and petrol which also helps to protect margins.

- **Comfortable capital structure and debt coverage indicators**

The capital structure of the company had remained comfortable with an overall gearing of nil as on March 31, 2024, as well as on March 31, 2023, given the comparatively low reliance on the external debt for funding working capital bank requirements. However overall indebtedness of the company marked by TOL/TNW has deteriorated to 1.44x as on March 31, 2024, against 1.07x as on March 31, 2023, on account of increase in near term liabilities such as advance from clients and expenses payable.

- **Experienced promoters**

BBGIPL is currently being managed by Mr. Priyadarshi Balu Agarwal and Mr. Nikhil Bharadwaj, who are MBAs by qualification and have an experience of more than a decade in the construction industry. Previously, in 2016 Mr. Priyadarshi Balu Agarwal had also set up a proprietorship firm named Balu Balaji Granites, wherein he had undertaken the civil work for metro stations at Rajendranagar in Ghaziabad and Sectors 59 and 62 in Noida, prior to incorporating BBGIPL in 2019. Having long standing presence of the promoters in the industry has helped the company to establish a healthy relationship with its customers and suppliers.

- **Modest working capital requirements contributes to strong liquidity position**



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Most projects are pre-funded because of which company receives payment in around 1 week after submission of bills. Currently 8 out of 11 on-going projects are pre-funded by the Maharashtra government. Additionally, the company avails between 30-45 days credit from its various vendors of materials such as cement, concrete, TMT bars etc. leading to low working capital cycle. The collection period stood at 82 days in FY24 as against 25 days in FY23, with the increase attributed to large quantum of billing towards the year end. On the other hand, the creditors' period stood at 83 days in FY24 as against 48 days in FY23, given a back-to-back credit period extended by the suppliers to the company. Debtors as of September 2024 were Rs. 7.21 crore, a significant reduction from Rs. 36.69 crore in March 2024, indicating improved recovery during the period.

### Key Rating Weaknesses

- **Business is entirely tender driven**

BBGIPL operates in a tender-driven business environment, where its revenue is heavily reliant on winning bids in various government tenders. This exposes the company to volatility in revenues and cash flows, as the number of successful bids in a year depends on number of tenders floated by government agencies, competition and demand from the private sector. Aggressive bidding can lead to decline in profit margins, while execution risks such as cost overruns and delays can harm profitability.

- **Relatively small scale of operations**

BBGIPL's operations are on a modest scale, with total operating income (TOI) of Rs.96.71crore in FY24, albeit having grown at CAGR of ~145% during last three financial years. While the company has demonstrated exponential growth, its relatively small size limits its ability to compete with industry giants. This modest scale may also restrict its financial flexibility and market reach, potentially making it more vulnerable to competitive pressures in the highly competitive EPC sector.

- **High geographic and client concentration**



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The domestic infrastructure works sector is highly crowded with presence of many EPC players with varied statures & capabilities due to which profitability margins come under pressure. Further, the company receives its work orders from Maharashtra region through competitive bidding process. Currently the unexecuted order book of Rs. 814 Cr is almost entirely composed of orders from govt agencies like - Nagpur Metropolitan Region Development Authority, Maharashtra Housing Development and Metro rail Corporation Ltd, thereby exposing the company to client as well as geographical concentration risk.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Infrastructure Companies.](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

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

### **Liquidity – Strong**

BBGIPL has earned a gross cash accrual of Rs. 14.31 crore in FY24. Further the company is expected to earn gross cash accruals in the range of ~Rs. 30 to 50 crores annually as against its nil debt repayment obligations during FY25-27. Accordingly, the liquidity position of the company is expected to remain strong in the near to medium term. Further, maximum cash credit utilization of the company remained modest at ~45.54% of the Rs.2.25 Cr limits during the past 12 months ended October 2024 indicating a strong liquidity cushion.

### **About the Company**

BBG Infrastructure Private Limited (BBGIPL) was incorporated in 2019 in Ghaziabad, Uttar Pradesh, and is promoted by Mr. Priyadarshi Balu. Before founding BBGIPL, Priyadarshi Balu in 2010 worked at Calcutta Airport for marble and finishing work. In 2016, he acquired ownership of Balu Balaji Granite and started working as an EPC subcontractor for Delhi Metro Rail Corp Ltd (DMRC), working on metro stations such as those in Sector 62 Noida, Sector 59 Noida, Rajendra Nagar, and Ghaziabad. After 2-3 years, he transitioned to BBGIPL, which led to the opportunity to bid for the construction of Nagpur and Pune metro stations. The





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company has successfully carried out civil work for 8 metro stations, including Kasarwadi, Range Hill, Dapodi, Bopodi, Null Stop etc.

Currently, Mr. Priyadarshi Balu, the director, looks after the day-to-day affairs of the company with adequate support from co-directors and a team of experienced professionals.

### Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	95.12	96.71
EBITDA	18.05	19.87
PAT	13.41	13.82
Total Debt	0.00	0.16
Tangible Net Worth	19.81	35.45
EBITDA Margin (%)	18.98	20.54
PAT Margin (%)	14.09	14.26
Overall Gearing Ratio (x)	0.00	0.00
Interest Coverage (x)	423.52	19.38

\* Classification as per Infomerics' standards.

### Status of non-cooperation with previous CRA:

CARE Ratings in their press release dated Jul 30,2024 classify the BBGIPL under issuer not cooperating status on account of non-submission of relevant information.

ICRA Ratings in their press release dated Sep 25,2024 classify the BBGIPL under issuer not cooperating status on account of non-submission of relevant information.

Any other information: None

### Rating History for last three years:

Sr. No	Name of Security/Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	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.	Cash Credit	Long Term	2.25	IVR BBB/Stable	-	-	-
2.	Bank Guarantee	Short Term	71.00	IVR A3+	-	-	-



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Sr. No	Name of Security/Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating  November 19, 2024	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.	Cash Credit	Long Term	2.25	IVR BBB/Stable	-	-	-
3.	Proposed Bank Guarantee	Short Term	16.75	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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information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Facility Details

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities - Cash Credit	-	-	-	-	2.25	IVR BBB/ Stable
Short Term Bank Facilities - Bank Guarantee	-	-	-	-	71.00	IVR A3+
Proposed Short Term Bank Facilities - Bank Guarantee	-	-	-	-	16.75	IVR A3+

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-BBGIPL-nov24.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).