



Press Release

Balaji Dayalpura Infra Private Limited

November 24, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	79.50 (enhanced from 20.00)	IVR BBB-; Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities	85.50 (enhanced from 50.00)	IVR A3 (IVR A Three)	Reaffirmed	Simple
Total	165.00 (Rupees one hundred and sixty-five crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Balaji Dayalpura Infra Private Limited (BDIPL) continues to derive strength from its experienced promoters, proven project execution capability, reputed clientele albeit customer concentration, adequate order book size reflecting satisfactory medium-term revenue visibility and moderate capital structure coupled with satisfactory debt protection metrics. Further the ratings also continue to consider improvement in its operating performance in FY23 marked by improvement in its scale of operation along with profitability. However, these rating strengths continue to remain constrained due to exposure to geographical and sectorial concentration risk, susceptibility of operating margin to volatile input prices, tender driven nature of business with presence in highly competitive industry and working capital intensive nature of its operation.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of operations with improvement in profitability on a sustained basis and consequent improvement in liquidity.
- Sustenance of the capital structure with improvement in debt protection metrics.

Downward Factors

- Dip in the revenue and/or profitability and/or an increase in the gross working capital cycle



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- Moderation in the capital structure with moderation in the overall gearing to above 2x along with significant or sustained deterioration in debt protection parameters and /or liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

The promoters have more than fifteen years of experience in the field of road and bridge construction services for the Government of Rajasthan. Benefits derived from the promoters' experience along with their strong understanding of construction industry, and healthy relationship with customers and suppliers is expected to continue and support the business. The company is being also supported by team of experienced and qualified professionals.

Proven project execution capability

Over the past years, BDIPL has successfully completed many projects across the state of Rajasthan and ensured timely completion of all its projects. The repeat orders received from the Government Departments validate its construction capabilities.

Reputed clientele albeit customer concentration

BDIPL mainly bids for tenders floated by the Rajasthan Government departments/entities and is mainly engaged in road construction. However, only two customers contributing 100% of revenue in FY23, indicating a concentrated customer profile. Though customers being government departments imparts comfort with low counterparty risk.

Adequate order book size reflecting satisfactory medium-term revenue visibility

The company has a total unexecuted order book of Rs. 775.77 crore as on September 01, 2023 which is about 4.51 times of its FY23 operating revenue. The completion of the projects is expected within next 18 months, indicating a satisfactory medium term revenue visibility.

Improvement in scale of operations

Total operating income (TOI) has increased to Rs.171.89 crore in FY23 from Rs.141.24 crore in FY22 registering a y-o-y growth of ~22% driven by increase in flow of work orders and timely execution of the same. The EBITDA margin has moved in line with the TOI and has increased to 10.66% in FY23 as against 10.25% in FY22. The PAT margin of the



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company stood at 4.42% in FY23 as compared to 4.26% in FY22. During H1FY24, the company has earned a revenue of ~Rs.73 crore.

Moderate capital structure with healthy debt protection metrics

The capital structure of the company continued to remain moderate as on March 31, 2023 though moderated marginally due to increase in debt levels with higher availment of equipment loans and higher utilisation of bank borrowings as on balance sheet date. Debt protection parameters also remained comfortable with interest coverage ratio of 8.04x in FY23 as compared to 6.74x in FY23 on the back of rise in absolute EBITDA.

Key Rating Weaknesses

Exposure to geographical and sectorial concentration risk

The present order book is majorly skewed towards road construction in the State of Rajasthan from various government departments indicating a geographical and sectorial concentration risk. However, the company has adequate experience to execute projects in the Rajasthan which provides a comfort.

Susceptibility of operating margin to volatile input prices

Major raw materials used in road construction activities are stone, asphalt/bitumen and sand which are usually sourced from large players/dealers at proximate distances. The raw material & labour cost forms the majority chunk of the total cost of sales in this industry. As the raw material prices & labour cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour cost. However, presences of escalation clause (for raw materials) in most of the contracts protect the margin to an extent.

Tender driven nature of business with highly competitive industry

The company participates in the tender passed by the government for road construction related projects. Hence, the entire business prospects are highly dependent on the government. The business volume remains high in the years when there are government tenders and vice versa. The construction industry is highly fragmented in nature with presence of large number of unorganized players and a few large, organized players.

Working capital intensive nature of operation



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The operations of BDIPL are working capital intensive as large amount of working capital remains blocked in earnest money deposits and retention money. Further, most of its road construction works and consequent billings are skewed towards the month of March which led to high receivables as on the last date of the financial year (payments have generally been received in 1st quarter of the next fiscal) and resulted in high average collection period. This apart, its clients are government departments/entities having various procedural requirements where payments are relatively slow. However, despite high collection period, comfort can be derived from the fact that the dues are from various government departments of Rajasthan which carries a low default risk. Further, the company's creditor's period is also high as it tries to match the payments of its suppliers and with its receipt of payments from debtors. Gross current assets were 239 days as on March 31, 2023, driven by receivables of 94 days. Large working capital requirement was offset by extended credit from the suppliers.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria for assigning Rating Outlook](#)

[Rating Methodology for Infrastructure Companies](#)

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

Liquidity – Adequate

The liquidity profile of BDIPL is expected to remain adequate as the company is expected to generate adequate gross cash accruals to serve its debt obligations during FY24-FY26. The company has earned a cash accrual of Rs.15.65 crore against debt repayment obligation of Rs. 9.52 crore in FY23. Moreover, the average fund-based utilization of the company remained low during the past 12 months ended in September 2023 indicating satisfactory liquidity for the company.

About the Company

Balaji Dayalpura Infra Pvt Ltd (BDIPL) was set up in November 2013, to take over the existing business of Balaji Construction (operating as proprietorship entity since 2000). Businesses of BDIPL and Balaji Construction were subsequently merged with effect from March 2016. BDIPL is engaged in the business of civil construction of roads, highways and bridges. BDIPL is AA class approved government contractor working for Public Works Department (PWD) and National Highways Authority of India (NHAI) to undertake projects



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related to construction of roads and bridges in Rajasthan. BDIPL's business is driven by tender based model wherein majority of the projects are for State Government of Rajasthan for construction of roads and bridges.

Financials (Standalone):

For the year ended* / As on	(Rs. crore)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	141.24	171.89
EBITDA	14.48	18.32
PAT	6.09	7.70
Total Debt	33.03	62.94
Tangible Net worth	29.04	36.84
Adjusted Tangible Net worth	45.37	53.78
EBITDA Margin (%)	10.25	10.66
PAT Margin (%)	4.26	4.42
Overall Gearing Ratio (x)	1.14	1.71
Overall Gearing ratio (x) on Net Adjusted Tangible Net Worth	0.37	0.86

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (Sep 01, 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	Long Term	2.94	IVR BBB-; Stable	-	-	-
2.	ODBD/SOD	Long Term	17.00	IVR BBB-; Stable	IVR BBB-; Stable	-	-
3.	Proposed ODBD	Long Term	59.56	IVR BBB-; Stable	IVR BBB-; Stable	-	-
4.	Bank Guarantee	Short Term	85.50	IVR A3	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).

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loan	-	-	FY28	2.94	IVR BBB-; Stable
Long Term Bank Facilities - ODBD	-	-	-	15.00	IVR BBB-; Stable
Long Term Bank Facilities – SOD	-	-	-	2.00	IVR BBB-; Stable
Proposed Long Term Bank Facilities – ODBD	-	-	-	59.56	IVR BBB-; Stable
Short Term Bank Facilities – Bank Guarantee	-	-	-	85.50	IVR A3

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-BalajiDayalpura-nov23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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.