



Press Release

Bhugan Infracon Private Limited

November 22, 2024

Ratings

Security / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	26.46	IVR BBB-; Stable (IVR Triple B Minus with Stable outlook)	-	Assigned	Simple
Long Term / Short Term Bank Facilities	207.54 (Including proposed limit of Rs. 10.54)	IVR BBB-; Stable/ IVR A3 (IVR Triple B Minus with Stable outlook/ IVR A Three)	-	Assigned	Simple
Total	234.00 (Rupees two hundred and thirty-four crore only)				

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 ratings assigned to the bank facilities of Bhugan Infracon Private Limited (BIPL) derives comfort from its experienced promoters and management team along with reputed clientele, proven project execution capability of the company, improvement in scale of operation and profitability along with comfortable financial risk profile marked by comfortable capital structure with debt protection metrics and satisfactory order book position indicating a satisfactory near to medium term revenue visibility. However, these rating strengths are partially offset by susceptibility of its operating margin due to volatile input prices, presence in a highly competitive water treatment plant (WTP) and sewage treatment plant (STP) construction industry, tender based nature of business with intense competition in the industry and working capital intensive nature of its operations.

Infomerics believes that the company will maintain a 'Stable' outlook over the medium term on account of its experienced promoters and government increased thrust on infrastructure.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of operation with improvement in profitability on a sustained basis



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- Sustenance of the capital structure with further improvement in debt protection metrics
- Improvement in the working capital management leading to improvement in working capital cycle and consequent improvement in liquidity

Downward Factors

- Dip in the revenue and/or moderation in profitability impacting the debt protection metrics on a sustained basis
- Deterioration in the capital structure with moderation in overall gearing to over 1.5x
- Moderation in liquidity marked by elongation in operating cycle

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long track record of promoters in EPC industry and well experienced management team

BIPL was established in 1996 by Mr. Ganesh Bhai N. Patel as a proprietorship firm, hence it has a long track record of more than 25 years in construction industry. Mr. Ganesh Bhai N Patel, Managing Director of BIPL has over 35 years of experience in the engineering, procurement, and construction (EPC) industry and is associated with BIPL since its establishment as proprietorship firm. The promoters' experience along with their strong understanding of construction industry and healthy relationship with customers and suppliers is expected to continue to support the business. All the promoters together look after the overall operation of the company along with adequate support from team of qualified professionals.

Healthy order book position indicating a near to medium term revenue visibility

BIPL has an outstanding order book of Rs.1,533.80 crore as on August 31, 2024, which is about 4.11x of its FY24 [FY refers to the period from April 1 to March 31] revenue. All the orders are executable in upcoming next 12-48 months and provides healthy revenue visibility over the near to medium term.

Geographically diversified operations and reputed clientele

The operations of BIPL are moderately diversified in terms of execution of projects as the company earns revenue from six major states of the country, viz., Rajasthan, Uttar Pradesh, Bihar, Madhya Pradesh, Odisha, and Uttarakhand. The current order book of BIPL also includes projects across these six major states. In FY24, the company earned majority of its revenue from Bihar (28.49%), followed by Uttarakhand (21.54%) and Uttar Pradesh (19.33%).



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Many of these projects are government-funded through schemes such as the National Mission for Clean Ganga (NMCG) and the Smart Cities Mission (SCM), which mitigates its counterparty risk. The major clientele of the company includes Uttarakhand Urban Sector Development Investment Agency, Bihar Sharif Smart City Limited, U P Jal Nigam Ayodhya, Bihar Urban Infrastructure Development Corporation Limited amongst many others.

Healthy scale of operations and profitability

The total operating income (TOI) of BIPL grew at a CAGR of ~44% over the last three years FY22-FY24 with y-o-y increase of ~95% in FY23 and ~7% in FY24 to Rs.349.43 crore and further to Rs.373.62 crore respectively from Rs. 179.59 crore in FY22, driven by higher and successful execution of orders of governments, municipalities, public organizations and private corporations across various states of India. Despite improvement in TOI, the EBITDA margin moderated in FY23 to 8.89% from 9.43% in FY22 due to an increase in sub-contracting charges and raw material procurement expenses vis-à-vis TOI. The EBITDA margin improved in FY24 to 9.96% from 8.89% in FY23 due to decline in administrative expenses vis-à-vis TOI. Notwithstanding, the decline in EBITDA margin in FY23, PAT margin improved from 5.58% in FY22 to 5.82% in FY23, because of increase in interest income in FY23. PAT margin again improved to 6.24% in FY24 due to an increase in absolute EBITDA. In 5MFY24, the company achieved a revenue of ~Rs.173 crore.

Proven project execution capability

Over the past years, BIPL has successfully completed many projects across the state of Rajasthan, Uttar Pradesh, Bihar, Madhya Pradesh, Odisha, and Uttarakhand and ensured timely completion of all its projects. The repeat orders received from the government entities validate its construction capabilities.

Comfortable capital structure and satisfactory debt protection metrics

The capital structure of the company remained comfortable over the past three fiscal years marked by its satisfactory leverage ratios. The net-worth base (ATNW) of the company stood moderate at Rs.91.68 crore as on March 31, 2024. The leverage ratios stood satisfactory marked by overall gearing (incl. corporate guaranteed debt) of 0.39x as on March 31, 2024 as against 0.47x as on March 31, 2023. The improvement in gearing is mainly driven by release of corporate guarantee extended to the group companies. Overall indebtedness of the company as reflected by TOL/ATNW has also remained satisfactory at 2.20x as on March 31, 2024 (2.08x as on March 31, 2023). The debt protection metrics of the company remained



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comfortable over the past three fiscal years. The interest coverage ratio though moderated, remained comfortable at 5.52x in FY24 as compared to 7.94x in FY23. The moderation in interest coverage is mainly due to increase in finance charges. Furthermore, Total Debt/EBITDA and Total debt/NCA, also though moderated remained comfortable at 0.97x and 1.35x years as on March 31, 2024 against 0.67x and 0.89x as on March 31, 2023 respectively.

Key Rating Weaknesses

Susceptibility of operating margin to volatile input prices

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

Presence in a highly competitive water treatment plant (WTP) and sewage treatment plant (STP) construction industry

The WTP and STP construction industry in India is highly competitive, marked by the presence of many players. Furthermore, players in civil construction have also started competing for obtaining orders by entering joint ventures (JVs) with small players engaged in the water treatment industry; thus, increasing the overall competition in the sector.

Working capital intensive nature of operations

The operation of the company remained working capital intensive over the past three years marked by its elongated gross current asset (GCA) days mainly due to significant amount of money blocked as retention money. The GCA days stood at 213 days in FY24 (157 days in FY23). Moreover, the average CC utilisation for past 12 months ended August 2024 remains moderate at ~83%.

Analytical Approach: Standalone

Applicable Criteria:

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

[Criteria of assigning rating outlook](#)

[Policy of default recognition](#)



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

[Rating Methodology for Infrastructure Companies](#)

Liquidity – Adequate

The company earned gross cash accrual of Rs. 26.72 crore to serve its debt obligation of Rs. 2.90 crore in FY24. Further, BIPL is expected to generate adequate gross cash accruals in the range of Rs.39.55 crore to Rs.50.71 crore to serve its debt obligations of Rs.3.00 crore to Rs.3.50 crore during FY25-FY27. Moreover, the current ratio remained at a moderate level at 1.33x as on March 31, 2024. The average CC utilisation for past 12 months ended August 2024 remains moderate at ~83% indicating adequate liquidity cushion for the company. However, there are few instances of overutilisation in the fund-based limits, where maximum utilisation is going above 100% which was regularised within 1-3 days. This is due to the fact that BIPL is growing in scale with a limited increase in working capital limits.

About the Company

Bhugan Infracon Private Limited (BIPL) was established in 1996 as proprietorship firm (named Bhugan Engineers) by Mr. Ganesh Bhai N. Patel. Later in October 2013, BIPL was reconstituted as a private limited company. It is engaged in the construction of infrastructure projects across water supply and sewage collection network and treatment systems. It is an EPC Contractor and primarily focusses on executing projects in sewage collection, treatment, and water supply systems. It has also executed varied projects across roads, solar power installation and building works. It executes projects in various states, including Rajasthan, Bihar, Uttarakhand, Uttar Pradesh, and Madhya Pradesh.

The company is registered as “AA class” contractor for the execution of R & B Division. Some of the reputed existing clients of BIPL includes Gujarat Inter-Finance City (GIFT) Gandhinagar, Voltas India Limited, Uttarakhand Urban Sector Development Investment Agency (UUSDIP), Madhya Pradesh Urban Development Company Limited, Bhopal Bihar Urban Infrastructure Development Corporation Limited, Patna Bihar Sharif Smart City Limited, RWSS, Odisha amongst others.

Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	349.43	373.62
Total Income	352.11	377.46



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For the year ended* / As On	31-03-2023	31-03-2024
EBITDA	31.06	37.21
PAT	20.50	23.55
Total Debt	20.75	36.12
Adjusted Tangible Net worth	68.16	91.67
EBITDA Margin (%)	8.89	9.96
PAT Margin (%)	5.82	6.24
Overall Gearing Ratio (x)	0.30	0.39
Interest Coverage Ratio (x)	7.94	5.52

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: The ratings of Bhugan Infracon Private Limited continue to remain classified under Issuer Not Cooperating category by Brickwork Ratings as per Press Release dated May 13, 2024 due to unavailability of information.

Any other information: None

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Rating (Year 2024-25)			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	Term Loan	Long Term	0.06	IVR BBB-/ Stable	-	-	-
2	Cash Credit	Long Term	19.00	IVR BBB-/ Stable	-	-	-
3	Overdraft	Long Term	7.40	IVR BBB-/ Stable	-	-	-
4	Bank Guarantee	Long Term/ Short term	197.00	IVR BBB-/ Stable; IVR A3	-	-	-
5	Proposed	Long Term/ Short term	10.54	IVR BBB-/ Stable; 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.

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Annexure 1: Security/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	-	0.06	IVR BBB-/ Stable
Cash Credit	-	-	-	-	19.00	IVR BBB-/ Stable
Overdraft	-	-	-	-	7.40	IVR BBB-/ Stable
Bank Guarantee	-	-	-	-	197.00	IVR BBB-/ Stable; IVR A3
Proposed	-	-	-	-	10.54	IVR BBB-/ Stable; 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-Bhugan-Infracon-nov24.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.