



Rating Rationale

Begorra Infrastructure and Developers Private Limited

24 Nov 2020

Brickwork Ratings reaffirms the ratings at BWR BBB-/Stable and BWR A3 for the enhanced Bank Facilities of Begorra Infrastructure and Developers Private Limited ('BIDPL' or 'the company')

Particulars

Facility	Amount (Rs. Cr)		Tenure	Rating *	
	Previous	Present #		Previous (Nov 2020)	Present (Nov 2020)
Fund Based	40.00	62.50	Long Term	BWR BBB-/Stable	BWR BBB-/Stable Reaffirmed
Non Fund Based	10.00	32.50	Short Term	BWR A3	BWR A3 Reaffirmed
Total	50.00	95.00	INR Ninety Five Crore Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Annexure I shows the detailed facilities

RATING ACTION/OUTLOOK

Brickwork Rating reaffirms the ratings at BWR BBB-/Stable and BWR A3 for the enhanced bank facilities of BIDPL.

The ratings continue to draw strength from the established track record of the company in the field of EPC (Engineering Procurement Construction), highly experienced promoters in the industry, healthy order book position coupled with reputed clientele, and moderate financial risk profile.

The ratings, however, continue to be constrained by working capital intensive nature of operations, exposure to volatile raw material prices coupled with inherent project execution risk, significant geographical, customer & supplier concentration risk, and presence in competitive & fragmented industry coupled with tender-driven nature of operations.

KEY RATING DRIVERS

Credit Strengths:

- Established track record of the company coupled in the field of EPC**
 BIDPL possesses an established track record of over a decade of operations in the field of EPC of roads, bridges, buildings & other related civil infrastructure. Over the years of its operations, the company has established long-term relationships with various government customers, suppliers and other stakeholders.



- **Highly experienced promoters in the industry**

The overall operations of BIDPL are currently looked after by the directors - Mr. Abraham Thomas, Mr. Santhosh Sebastian and Mr. Alwin John, who possess a total experience of over 27 years, 12 years and 13 years respectively in this industry. Mr. Abraham Thomas has been into the government contracting business since 1993, whereas Mr. Santhosh Sebastian and Mr. Alwin John have gained experience mainly in road construction activities and crushing & mining activities respectively.

- **Healthy order book position coupled with reputed clientele**

The services provided by BIDPL are primarily catered to the reputed government bodies in Kerala, viz. Kerala Infrastructure Investment Fund Board (KIIFB) and Kerala Public Works Department (Kerala PWD). The company possesses a healthy order book position comprising 21 open orders worth Rs.332.31 crore pending for execution as on October 27, 2020, which are expected to be completely executed by October 2022.

- **Moderate financial risk profile marked by growing scale of operations, healthy profit margins & debt coverage indicators and moderate capital structure**

The total operating income has been continuously increasing from Rs.72.38 crore in FY18 to Rs.110.76 crore and Rs.130.16 crore in FY19 and FY20 (prov.) respectively owing to increase in order executions for KIIFB which is a major customer.

The operating profit margin stood healthy, however deteriorated marginally from 15.66% in FY18 to 14.69% in FY19 owing to increased reliance on labour & sub-contracting. However, the operating profit margin improved significantly from 14.69% in FY19 to 18.02% in FY20 (prov.) owing to decrease in proportionate material consumption costs, directors remuneration and various direct & site expenses, depending upon the type of orders. Given the healthy operating profit margin, the net profit margin also stood healthy at 7.53% in FY20 (prov.) (vis-a-vis 5.78% in FY19).

On the other hand, the ISCR and DSCR also stood comfortable at 3.71 times and 1.93 times respectively in FY20 (prov.) (vis-a-vis 4.04 times and 2.27 times respectively in FY19).

The overall gearing stood leveraged and deteriorated marginally from 2.36 times as on March 31, 2019 to 2.41 times as on March 31, 2020 (prov.) owing to increase in debt levels albeit increase in the tangible net-worth base. However, considering the unsecured loans worth Rs.13.86 crore from promoters as quasi equity, the overall gearing stood moderate at 1.45 times as on March 31, 2020 (prov.).

Credit Weaknesses:

- **Working capital intensive nature of operations**

The operations of BIDPL are highly working capital intensive in nature with a majority of funds of over 100-200 days blocked in debtors, followed by WIP inventory of over 90-150 days. Hence, the conversion cycle also stood elongated at 88 days in FY20 (prov.) (vis-à-vis 92 days in FY19), whereas the same improved marginally in FY20 (prov.) over FY19 owing to elongation in the creditors' period. The average cash credit utilization in the last 6 months ended October 2020 stood at 97.94%.

- **Exposure to volatile raw material prices coupled with inherent project execution risk**

BIDPL is exposed to volatile raw material prices, since its primary raw materials are sand,



RCC, cement, etc. of various types & grades, the prices of which are highly volatile in nature, the sharp fluctuations in which may lead to fluctuations in the profit margins of the company. This is evident from the fluctuating profit margins over FY17-FY20 (prov.). Moreover, it is also exposed to the inherent project execution risk in the EPC business, which factors in many aspects viz. timely availability of project site, raw materials, skilled & unskilled labour, government clearances, etc.

- **Significant geographical, customer & supplier concentration risk**

The operations of BIDPL are confined to Kerala with only 3-4 customers, with KIIFB being the major customer; thereby implying a significant geographical & customer concentration risk. Moreover, the customer & supplier profile of the company is concentrated with the top 5 customers comprising 100% of the net sales, whereas the top 5 suppliers comprising 50.17% of the total purchases in FY20 (prov.).

- **Presence in competitive & fragmented industry coupled with tender-driven nature of operations**

BIDPL is present in a highly competitive & fragmented road construction industry and has to undergo a competitive bidding process in order to avail orders from government & other reputed players. This puts a pressure on the profit margins of the company and collection period by way of stretched receivables.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has essentially relied upon the audited financials of the company up to FY19, provisional CA-certified financials up to FY20, projections up to FY23, publicly available information and information/clarifications provided by the management.

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the ability of the company to significantly increase its scale of operations by strengthening its order book position while maintaining the profit margins, improving its capital structure while maintaining its debt coverage indicators and efficiently managing its working capital would be the key rating sensitivities.

Positive: Significant improvement in the scale of operations amid the global pandemic situation by strengthening the order book position coupled with improvement in the capital structure

Negative: Inability to achieve the envisaged improvement in the scale of operations coupled with deterioration in the profit margins, debt coverage indicators or liquidity profile

LIQUIDITY POSITION: Adequate

The current ratio stood moderately comfortable at 1.23 times as on March 31, 2020 (prov.) (vis-à-vis 1.12 times as on March 31, 2019), whereas the conversion cycle stood elongated at 88 days in FY20 (prov.) (vis-à-vis 92 days in FY19). Out of the total debtors worth Rs.80.87 crore outstanding for more than 3 months but less than 1 year as on March 31, 2020, Rs.63.55 crore have been recovered as on date, thereby easing the liquidity to a greater extent. Moreover, the company had been granted an interest moratorium in the cash credit facilities by the banks, whereas the



average cash credit utilization in the last 6 months ended October 2020 stood at 97.94%.

COMPANY PROFILE

Incorporated in May 2010, Begorra Infrastructure and Developers Private Limited (BIDPL) is a Class-1A contractor engaged in the EPC construction of roads, bridges, buildings & other related civil infrastructure primarily in the state of Kerala. The services provided by the company are primarily catered to the government bodies in Kerala, viz. Kerala Infrastructure Investment Fund Board (KIIFB) and Kerala Public Works Department (Kerala PWD). The overall operations of the company are currently looked after by the directors - Mr. Abraham Thomas, Mr. Santhosh Sebastian and Mr. Alwin John, whereas its corporate office is located at Ranni in Pathanamthitta district, Kerala.

KEY FINANCIAL INDICATORS

Key Parameters	31.3.2018 Audited	31.3.2019 Audited	31.3.2020 Provisional (CA-certified)
Total Operating Income (Rs. Cr)	72.38	110.76	130.16
EBITDA (Rs. Cr)	11.33	16.27	23.46
PAT (Rs. Cr)	3.40	4.03	6.32
Tangible Networth (Rs. Cr)	14.34	25.47	35.27
Tangible Networth (Adjusted) (Rs. Cr)	25.91	39.07	49.13
Total Debt:TNW (Times)	2.30	2.36	2.41
Total Debt:TNW (Adjusted) (Times)	0.83	1.20	1.45
Current Ratio (Times)	1.17	1.12	1.23

KEY COVENANTS OF INSTRUMENTS/FACILITIES TO BE RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY:

ISSUER NOT COOPERATING by CRISIL vide its press release dated November 26, 2019

Rating History for the last three years: (Including withdrawal and Suspended)

Sl. No.	Facility	Current Rating (Nov 2020)			Rating History		
		Type	Amount (Rs. Cr)	Rating	Nov 2020 (9th Nov 2020)	-	-
1	Fund Based Cash Credit Bills Discounting	Long Term	57.50 5.00	BWR BBB-/Stable Reaffirmed	BWR BBB-/Stable Assigned	-	-
2	Non Fund Based Bank Guarantee	Short Term	32.50	BWR A3 Reaffirmed	BWR A3 Assigned	-	-
	Total		95.00	INR Ninety Five Crore Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

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Annexure I
Details of Rated Bank Facilities

Bank	Name of Facility	Type of Facility	Rated Amount (Rs.in Cr.)
Federal Bank	Cash Credit	Fund Based - Long Term	32.50
	Bills Discounting	Fund Based - Long Term	5.00
	Bank Guarantee	Non Fund Based - Short Term	22.50
Syndicate Bank	Cash Credit	Fund Based – Long Term	25.00
	Bank Guarantee	Non Fund Based – Short Term	10.00
		Total	95.00

INR Ninety Five Crore Only

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