



Press Release

Badri Rai & Company

March 30, 2023

Ratings

Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term bank facilities	73.71	IVR BBB+; Stable (IVR Triple B Plus with Stable Outlook)	Assigned	Simple
Short Term Bank facilities	226.00	IVR A2 (IVR A Two)	Assigned	Simple
Total	299.71 (Rupees two hundred ninety-nine crore and seventy one lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Badri Rai & Company (BRC) derives comfort from its long track record of operation under experienced partners, proven project execution capability of the firm, association with reputed clientele and strong order book position reflecting satisfactory near to medium term revenue visibility. The ratings also factor in BRC's healthy financial risk profile marked by healthy growth in its scale of operations, comfortable profitability, comfortable capital structure with healthy debt protection metrics and efficient management of working capital. These rating strengths are partially offset by its partnership nature of constitution, exposure to geographical concentration risk, exposure of profitability to volatile input prices and presence in highly fragmented & competitive construction sector.

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.
- Increase in order book position and diversification in regional presence.

Downward factors

- Moderation in scale of operations and/or profitability impacting the liquidity profile on a sustained basis.



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- Withdrawal of capital by the partners and/or moderation in capital structure with moderation in the overall gearing to over 1x
- Increase in working capital intensity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced management and long track record of operation**

The Partners of the firm, Mr. Arun Rai, Mr. Ajay Rai and Mr. Anuj Kansal are running the business and have over two decades of experience in the road and civil construction activity. The firm has established track record of operations being operating since 1975.

- **Proven project execution capability**

Over the past years, the entity has successfully completed many projects across Assam and Meghalaya in the direct construction space. In order to manage the projects in a better way, the entity has a policy to apply for short to medium duration projects (1-3 years) and handle limited number of projects at a time to ensure timely completion. The repeat orders received from its clientele validate its construction capabilities.

- **Reputed clientele**

The customer profile of the firm includes government departments of Assam, PWD Meghalaya, Oil and Natural Gas Corporation Limited (ONGC), Indian Oil Corporation Ltd., Ministry of Road Transport and Highways, Military Engineer Services, Government of India (MES) and other departments of state and central government.

- **Strong order book reflecting satisfactory medium term revenue visibility**

The firm has a strong order book position of ~Rs. 2362 crore as on December 31, 2022 which is about 3.87 times of its FY22 construction revenue. The orders are expected to be completed within next one-three years, indicating a satisfactory medium term revenue visibility.

- **Healthy financial risk profile marked by healthy growth in scale of operations and comfortable profitability**

The firm's total operating income grew at a CAGR of ~65% over the last three years from FY20 audited - FY22 audited. The total operating income grew from Rs.225.55 crore in FY20 to Rs.610.52 crore in FY22, registering a y-o-y growth of ~97%. The growth in revenue is driven by timely execution coupled with higher execution of orders by the firm. With rise in TOI, the absolute EBITDA has also increased over the years from Rs.26.33 crore in FY20 to



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Rs.40.54 crore and to Rs.74.70 crore in FY22. However, the EBITDA margin of the firm though remained satisfactory in FY22 witnessed gradual moderation from 13.11% in FY21 to 12.24% in FY22 due to execution of few lower margin contracts. Despite moderation in EBITDA margin, PAT margin improved marginally in FY22 to 6.52% from 6.31% in FY21. Further, the firm reported revenue of Rs.527.73 in 11MFY23 with improvement in profit margin.

- **Comfortable capital structure with healthy debt protection metrics**

The long-term debt equity ratio and overall gearing ratio remained comfortable at 0.65x and 0.82x respectively as on March 31, 2022 (0.71x and 0.88x respectively as on March 31, 2021). The improvement in capital structure is driven by accretion of profit to reserves. Total Outside Liabilities over Tangible Net worth has improved and remained moderate at 2.72x as on March 31, 2022 (4.04xx as on March 31, 2021). The Interest coverage ratio remained satisfactory at 11.21x (12.85x as on March 31, 2021). Total debt to GCA and Total debt to EBITDA remained comfortable at 1.73 years (2.29 years as on March 31, 2021) and at 1.14x as on March 31, 2022 (1.55x as on March 31, 2021) respectively.

- **Efficient management of working capital**

The firm manages its receivables and payables days efficiently due to the long term established relationship with its suppliers enabling them to avail high credit period on account of bulk purchases.

Key Rating Weaknesses

- **Partnership nature of constitution**

The firm is exposed to the inherent risks associated with its constitution as a partnership firm including capital withdrawal by partners which might affect the firm's net worth. It is however observed that the partners have not been withdrawing capital from the firm apart from their share of profit and remuneration.

- **Geographical concentration risk**

BRC's outstanding order book is exposed to geographic concentration risks as ~97% of the order book is from the North-Eastern part of India and the rest of the order book is from Odisha, West Bengal and New Delhi. Limited diversity in revenue will continue to make it susceptible to intense competition and cyclicity which is inherent in the civil construction business. Going forward, the ability of the firm to diversify its order book would be a key rating sensitivity.

- **Exposure of profitability to volatile input prices**



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Major raw materials used in construction activities are steel, cement stone, asphalt/bitumen and sand which are usually sourced from large players/dealers at proximate distances. The input prices are generally volatile and consequently the profitability of the firm remains susceptible to fluctuation in input prices. However, presences of escalation clause in most of the contracts protect the margin to an extent.

- **Presence in highly fragmented & competitive construction sector**

The domestic infrastructure/construction sector is highly crowded with presence of many players with varied statures & capabilities. Rise in number of participants restricts the pricing power of the firm.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria of assigning rating outlook](#)

Liquidity: Adequate

The liquidity profile of BRC is expected to remain adequate marked by its expected satisfactory cash accrual in the range of Rs.66.57 crore to Rs.84.73 crore during FY23-FY25 vis a-vis its debt repayment obligations ranging from Rs.27.56 crore to Rs.32.51 crore. Further, on the back of its comfortable capital structure, the firm has adequate gearing headroom. Average working capital utilisation was moderate at ~77% during last 12 months ending in February 2023, which imparts adequate liquidity buffer.

About the Firm

Badri Rai & Company (BRC) is a Dibrugarh (Assam) based partnership firm established in 1975. Currently Mr. Arun Rai, Mr. Ajay Rai and Mr. Anuj Kansal are the three partners of the firm. The firm is engaged in civil and road construction activity. The firm undertakes diversified projects, which includes infrastructure projects, Residential Housing, Commercial Building, Structural steel, site grading, Foundations, Embankment work and Industrial Plant Building, etc. The firm is registered as Class 1 contractor with CPWD, Class 1(A) contractor with PWD, Assam. It is empanelled with National Building Construction Corporation Ltd (NBCC) and Military Engineer Services (MES).

Financials of Badri Rai & Company (Standalone):

(Rs. crore)



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For the year ended* / As On	31-03-2021	31-03-2022	11MFY23
	Audited	Audited	Unaudited
Total Operating Income	309.28	610.52	527.73
EBITDA	40.54	74.70	69.68
PAT	19.51	39.81	44.07
Total Debt	62.76	62.76	-
Tangible Net worth	85.02	85.02	-
Adjusted Tangible Net Worth	78.21	111.97	-
EBITDA Margin (%)	13.11	12.24	13.20%
PAT Margin (%)	6.31	6.52	8.35%
Overall Gearing Ratio (x)	0.88	0.82	-
Interest Coverage Ratio (x)	12.85	11.21	9.35

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Brickwork ratings vide its press release date January 06, 2023 maintained the rating in issuer not cooperating category due to non-submission of information by the firm.

Any other information: Nil

Rating History for last three years:

(Rs. Crore)

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit	Long Term	23.50	IVR BBB+; Stable	-	-	-
2.	Term Loan	Long Term	37.71	IVR BBB+; Stable	-	-	-
3.	Bank Guarantee	Short Term	142.50	IVR A2	-	-	-
4.	Stand By Line of Credit	Short Term	1.00	IVR A2	-	-	-
5.	Proposed Cash Credit	Long Term	12.50	IVR BBB+; Stable	-	-	-
6.	Proposed Bank Guarantee	Short Term	82.50	IVR A2	-	-	-

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About Infomerics Ratings:



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Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit www.infomerics.com

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Cr)	Rating Assigned/ Outlook
Long Term Fund Based Limit- Cash Credit	-	-	-	23.50	IVR BBB+; Stable
Long Term Fund Based Limit- Term Loan	-	-	October 2025	37.71	IVR BBB+; Stable
Short Term Non- Fund Based Limit- Bank Guarantee	-	-	-	142.50	IVR A2
Short Term Fund Based Limit- Stand By Line of Credit	-	-	-	1.00	IVR A2
Proposed Long Term Fund Based Limit- Cash Credit	-	-	-	12.50	IVR BBB+; Stable



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Proposed Short Term Non-Fund Based Limit- Bank Guarantee	-	-	-	82.50	IVR A2
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Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-BRC-mar23.pdf>

Annexure 3: List of companies considered for consolidated analysis: Not Applicable

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.

