

Press Release

15 March, 2017

BCPL Railway Infrastructure Limited

Rating Downgraded

Total Bank Facilities Rated *	Rs.25.00 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable
Short Term Rating	SMERA A4+

Refer Annexure for details

Rating Rationale

SMERA has downgraded long-term rating of '**SMERA BB+**' (read as **SMERA BB plus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 25.00 crore bank facilities of Bcpl Railway Infrastructure Limited. The outlook is '**Stable**'.

BCPL Railway Infrastructure Limited (BCPL), incorporated in 2008, is a Kolkata-based company, engaged in the development of railway infrastructure. The company undertakes erection and commissioning of railway electrification systems (25 KV and 50Hz single phase traction overhead equipment).

Key Rating Drivers

Strengths

- **Experienced management**

BCPL's business risk profile is supported by the extensive industry experience of the promoters. The management has over two decades of experience in executing railway electrification work across India.

- **Comfortable profitability**

BCPL's profitability has remained comfortable with operating margin of 10.52 per cent in FY2016 as against 10.44 per cent in FY2015. However, the net profit margin declined to 3.94 per cent in FY2016 as against 6.32 per cent in FY2015. The decline in net profit margin is on account of increase in interest cost. For 8MFY17, BCPL reported operating margin of 12.71 per cent and net profit margin of 7.45 per cent.

- **Reputed clientele**

BCPL largely caters to the railways, with Central Organization for Railway Electrification (CORE) being one of its major clients. Some of the other clients include Bhushan Steel Limited, Jindal Steel & Power Limited, Ultratech Cement Limited to name a few.

Weaknesses

- **Fluctuating operating income**

BCPL achieved operating income of Rs. 23.80 cr in FY2016 as against Rs.52.56 cr in FY2015. The company has uneven revenue trend due to its project-based business. For 8MFY17, the company achieved net sales of Rs.22.41 cr. The company deals with government organisations and bids for tenders. Going forward, BCPL's ability to bid and qualify for large orders remains to be seen. However, the promoters' experience and long standing relationships with clients partially mitigates this risk.

- **Working capital intensive operations**

The working capital cycle deteriorated from 100 days in FY2015 to 296 days in FY2016 due to increase in work-in-progress inventory to 373 days in FY2016 as against 104 days in FY2015. This was owing to delays in site clearance from Railways. The average working capital limit utilisation has been ~80.08 per cent in the last six months ended October 2016.

- **Deterioration in coverage indicators**

The financial risk profile has remained moderate with low gearing (debt-to-equity) of 0.41 times in FY2016. The Interest coverage ratio (ICR) deteriorated substantially from 4.05 times in FY2015 to 1.72 times in FY2016. The Debt service coverage ratio (DSCR) fell to 1.51 times in FY2016 from 3.29 times in FY2015.

- **High dependence on Railways**

BCPL's business risk profile is constrained by high customer concentration risk. While the company generates its entire revenue by executing electrification orders for railways, the same is not from a single zone. With orders from across Railway zones and CORE, the risk is partially mitigated.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of BCPL.

Outlook: Stable

SMERA believes that BCPL will maintain a stable outlook and continue to benefit over the medium term on account of its established market position and extensive experience of promoters. The outlook may be revised to Positive if the company registers substantial increase in profitability margins or improvement in its capital structure as a result of equity infusion by promoters. Conversely, the outlook may be revised to Negative in case of sharp decline in profitability margins or deterioration in the financial risk profile owing to higher than expected debt-funded capex.

About the Rated Entity - Key Financials

For FY2015-16, the company registered profit after tax (PAT) of Rs.0.94 cr on operating income of Rs.23.80 cr as against net profit of Rs.3.32 cr on operating income of Rs.52.56 cr in the previous year. The net worth stood at Rs.32.21 cr as on 31 March 2016 as compared to Rs.32.17 cr as on 31 March 2015.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
30-Nov-2015	Cash Credit	Long Term	INR 10	SMERA BBB- / Stable
	Bank Guarantee	Short Term	INR 15	SMERA A3
31-Mar-2015	Cash Credit	Long Term	INR 10	SMERA BB+ / Stable
	Bank Guarantee	Short Term	INR 15	SMERA A4+

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BB+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA A4+

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ABOUT SMERA

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