

## Press Release

### BCPL Railway Infrastructure Limited (BCPL)

26 July, 2017

### Rating Reaffirmed



<b>Total Bank Facilities Rated*</b>	Rs.25.00 Cr
<b>Long Term Rating</b>	SMERA BB+/Stable (Reaffirmed)
<b>Short Term Rating</b>	SMERA A4+ (Reaffirmed)

*\*Refer Annexure for details*

### Rating Rationale

SMERA has reaffirmed the rating of '**SMERA BB+**' (read as **SMERA double B plus**) and '**SMERA A4+**' (read as **SMERA A four plus**) on the above mentioned bank facilities of BCPL Railway Infrastructure Limited (BCPL). 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).

### List of key rating drivers and their detailed description

#### Strengths

**Experienced management:** BCPL's business risk profile is supported by the extensive industry experience of the promoters. The company is led by Mr. Kanhai Singh, Mr. Aparesh Nandi, Mr. Jayanta Kumar Ghosh and Mr. Uday Narayan Singh with over two decades of experience in executing railway electrification work across India.

**Comfortable profitability:** BCPL has reported lower than expected operating (EBITDA) margin, of 9.03 per cent in FY2017 (Provisional) as against 10.52 per cent in FY2016. The marginal decline in operating profitability is on account of increase in raw material cost as a percentage of sales. The net profit margin stood at 3.69 per cent in FY2017 (Provisional) as against 3.94 per cent in FY2016.

**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 :** In FY2016-17 (Provisionals), BCPL achieved operating income of Rs. 32.45 crore as against Rs. 23.80 crore in FY2015-16. The company has uneven revenue trend due to the project-based business of railway infrastructure development (Design, Drawing, Supply, Erection and commissioning). BCPL has unexecuted order book of Rs.151.14 crore as on date which provides revenue visibility for the medium term.

**Working capital intensive operations:** BCPL's operations have remained working capital intensive with working capital cycle of 201 days in FY2017 as against 296 days in FY2016. The gross current assets (GCA) stood high at 217 days in FY2017 (Provisional) as against 388 days in FY2016. The high working capital intensity is on account of high inventory holding of 211 days in FY2017 as against 373 days in FY2016 due to elongated project execution cycle. Further, the average utilisation in working capital limit has been ~80 percent in the last six months ended May 2017.

**Moderate coverage indicators:** The financial risk profile has remained moderate with low gearing (debt-to-equity) of 0.31 times as on 31 March, 2017 (Provisionals) as against 0.41 times as on 31 March, 2016. The Interest coverage ratio (ICR) marginally improved to 2.19 times in FY2017 (Provisional) from 1.72 times in FY2016. The Debt service coverage ratio (DSCR) stood at 1.78 times in FY2017 (Provisional) from 1.58 times in FY2016.

**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 profile of BCPL.

### Applicable Criteria

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

### Outlook: Stable

SMERA believes that BCPL will maintain a stable outlook and continue to benefit over the medium term on account of the established market position and extensive experience of its promoters. The outlook may be revised to 'Positive' if the company registers substantial increase in profitability margins supported by healthy revenue growth or significant 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 significant deterioration in the financial risk profile due to higher than expected debt-funded capex or an elongated working capital cycle.

### About the Rated Entity – Key Financials

For FY2016-17 (Provisionals), the company registered profit after tax (PAT) of Rs.1.20 crore on operating income of Rs.32.45 crore as against net profit of Rs.0.94 crore on operating income of Rs.23.80 crore in the previous year. The net worth of the company stood at Rs.33.40 crore as on 31 March, 2017 (Provisional) as compared to Rs.32.21 crore as on 31 March, 2016.

### Status of non-cooperation with previous CRA

Not Applicable

### Any other information

N.A.

### Note on complexity levels of the rated instrument:

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

### Rating History for the last three years

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
15 Mar, 2017	Cash Credit	Long Term	INR 10.00	SMERA BB+ / Stable (Downgraded)
	Bank Guarantee	Short Term	INR 15.00	SMERA A4+ (Downgraded)
30 Nov, 2015	Cash Credit	Long Term	INR 10.00	SMERA BBB- / Stable (Upgraded)
	Bank Guarantee	Short Term	INR 15.00	SMERA A3 (Upgraded)
31 Mar, 2015	Cash Credit	Long Term	INR 10.00	SMERA BB+ / Stable (Assigned)
	Bank Guarantee	Short Term	INR 15.00	SMERA A4+ (Assigned)

### \*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	N.A.	N.A.	N.A.	10.00	SMERA BB+/Stable (Reaffirmed)
Bank Guarantee	N.A.	N.A.	N.A.	15.00	SMERA A4+ (Reaffirmed)

### Contacts

Analytical	Rating Desk
Vinayak Nayak, Head – Rating Operations Tel: 022-67141190 Email: <a href="mailto:vinayak.nayak@smera.in">vinayak.nayak@smera.in</a>  Ankit Gupta, Rating Analyst, Tel:02267141263 Email: <a href="mailto:ankit.gupta@smera.in">ankit.gupta@smera.in</a>	Varsha Bist Sr. Executive Tel: 022-67141160 Email: <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a>

## ABOUT SMERA

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