

Press Release

BCPL Railway Infrastructure Limited

June 07, 2019

Rating Assigned and Upgraded



Total Bank Facilities Rated*	Rs. 40.00 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable (Upgraded from ACUITE BBB- / Stable)
Short Term Rating	ACUITE A3+ (Upgraded from ACUITE A3)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short-term rating of '**ACUITE A3+**' (read as **ACUITE A3 plus**) from '**ACUITE A3**' (read as **ACUITE A3**) to the Rs. 30.00 crore bank facilities of BCPL RAILWAY INFRASTRUCTURE LIMITED (BCPL). It has also assigned short-term rating of '**ACUITE A3+**' (read as **ACUITE A3 plus**) to Rs. 10 crore bank facilities of BCPL. The outlook is '**Stable**'.

Incorporated in 1995, BCPL Railway Infrastructure Limited (BCPL) is a Kolkata based company promoted by Mr. Jayanta Kumar Ghosh and Mr. Aparesh Nandi. The company is a contractor engaged in designing, drawing, supply, erection and commissioning of railway electrification system (25 KV and 50Hz single phase traction overhead equipment). The key clients of the company include various zones of the Indian Railways like Eastern Railway, South Eastern Railway, South East Central Railway, Northern Railway, East Central Railway, Central Organization for Railway Electrification (CORE) as well as public and private sector undertakings like Tata Steel Ltd, UltraTech Cement Ltd., RITES Ltd. ,Durgapur Projects Ltd. to name a few.

The upgrade reflects improvement in BCPL's business and financial risk profile with higher than expected growth in revenues, improvement in profitability margins and working capital during FY2019. The revenue profile of the company has improved to Rs. 82.45 crore in FY2019 from Rs. 49.08 crore in FY2018. Going forward, operating revenue is expected to increase backed by healthy order book position of over Rs. 240.00 crore from various zones of the Indian Railways. Moreover, the operating margins (EBITDA) improved to 14.01 percent in FY2019 from 13.18 percent in FY2018 and 8.66 percent in FY2017. The profitability has improved on account of high margin projects executed and better absorption of overhead and fixed costs.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of BCPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

BCPL's business risk profile is supported by promoter's extensive industry experience by virtue of their association with M/s Bapi construction and M/S U K Construction. The management has more than two decades of experience in executing railway electrification work such as designing, supply, erection, testing and commissioning across India, for various railways zones such as Southern, Northern, Eastern, Central, South East central etc.

- **Comfortable financial risk profile**

The financial risk profile of the company is marked by moderate tangible net worth, healthy debt protection measures and low gearing. The net worth of the company is at around Rs.57.10 crore in FY2019 as against Rs.37.29 crore in FY2018. The increase in net worth is on account of healthy accretion to reserves and fresh infusion of equity by promoters during IPO. The company has followed a conservative financial policy as reflected by peak gearing of 0.29 times over the last

three years through 2018-19. The gearing of the company has further improved to 0.01 times as on March 31, 2019. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.12 times as on 31 March, 2019 as against 0.39 times as on 31 March, 2018 and is estimated to remain in the range of 0.10-0.20 times over the medium term on the back of absence of any debt funded capex plans. The healthy revenue levels coupled with improving operating margins have resulted in strong debt protection measures. Interest Coverage Ratio (ICR) improved to 8.78 times in FY2019 against 5.42 times in FY2018 due to lower interest outgo and higher profitability. Net Cash Accruals/Total Debt (NCA/TD) stood at 10.69 times as on 31 March 2019 as against 0.47 times as on 31 March 2018. Debt Service Coverage Ratio (DSCR) stood at 6.29 times for FY2019 as against 4.05 times in FY2018. Acuite believes that the financial risk profile of BCPL will continue to remain comfortable over the medium term on account of its improving scale of operations, healthy profitability and conservative financial policy.

Weaknesses

- **Working capital intensive nature of operations**

BCPL's operations are working capital intensive as reflected by gross current assets (GCA) of 152 days in FY2019. Overhead electrification (OHE) projects of railways have an implementation period of 12-18 months resulting in high inventory days. Although, the inventory days stood high, they have consistently improved from 210 days in FY2018 and 404 days in FY2017 due to faster execution of projects.

- **Tender based business and customer concentration**

BCPL's business risk profile is partially constrained by high customer concentration on railway department and tender nature based of operations. Around 90 percent of revenue comes from Railways, which exposes its turnover to any change in the number of new contracts floated by Indian Railways and its ability to successfully bid for the same.

Liquidity

Liquidity of BCPL is marked by moderate net cash accruals of Rs.4-7 crores during the last two years. The cash accruals of the company are expected to improve and remain in the range of Rs.10-18 crores with no major repayment obligations, the company's incremental working capital requirements are estimated to remain in the range of Rs.10-20 crores over the medium term. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 152 in FY 2019. The cash credit limit in the company remained utilized at around 50 percent during the last 6 months ended March 2019. The company maintains unencumbered cash and bank balances of Rs.0.12 crore as on March 31, 2019. The current ratio of the company stood moderate at 6.73 times as on March 31, 2019. Acuite believes that the liquidity of the company will remain comfortable over near to medium term on account of increasing net cash accruals, no repayment obligations and absence of any debt funded capex plans.

Outlook: Stable

Acuite believes that BCPL will maintain a 'Stable' outlook and benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' if the company reports higher than expected revenues and profitability margins. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and profitability or elongation in the working capital cycle, leading to deterioration in its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	82.45	49.08	32.35
EBITDA	Rs. Cr.	11.55	6.47	2.80
PAT	Rs. Cr.	7.05	4.08	1.10
EBITDA Margin	(%)	14.01	13.18	8.66
PAT Margin	(%)	8.55	8.30	3.39
ROCE	(%)	21.97	15.82	7.73
Total Debt/Tangible Net Worth	Times	0.01	0.24	0.29
PBDIT/Interest	Times	8.78	5.42	2.18
Total Debt/PBDIT	Times	0.06	1.25	2.76

Gross Current Assets (Days)	Days	152	210	404
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Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Crore)	Ratings / Outlook
11-Jul-2018	Cash Credit	Long Term	10.00	ACUITE BBB- / Stable (Upgraded)
	Bank Guarantee	Short Term	20.00	ACUITE A3 (Upgraded)
26-Jul-2017	Cash Credit	Long Term	10.00	ACUITE BB+ / Stable (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A4+ (Reaffirmed)
15-Mar-2017	Cash Credit	Long Term	10.00	ACUITE BB+ / Stable (Downgraded)
	Bank Guarantee	Short Term	15.00	ACUITE A4+ (Downgraded)
30-Nov-2015	Cash Credit	Long Term	10.00	ACUITE BBB- / Stable (Upgraded)
	Bank Guarantee	Short Term	15.00	ACUITE A3 (Upgraded)
31-Mar-2015	Cash Credit	Long Term	10.00	ACUITE BB+ / Stable (Assigned)
	Bank Guarantee	Short Term	15.00	ACUITE 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	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB / Stable (Upgraded from ACUITE BBB- / Stable)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A3+ (Upgraded from ACUITE A3)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A3+ (Assigned)

Contacts

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About Acuite Ratings & Research:

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