

Press Release

BCPL Railway Infrastructure Limited

February 21, 2023

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	40.00	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	55.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.55.00 crore bank facilities of BCPL Railway Infrastructures Limited (BCPL). The outlook is '**Stable**'.

Rating Rationale

The rating reaffirmation of BCPL takes into account the stable business risk profile of the company as reflected from its modest scale of operation coupled with healthy profitability margin. The rating also factors in its experienced management, moderate orderbook position and healthy financial position characterized by conservative leverage and strong debt protection metrics. These strengths are partially offset by elongated working capital cycle and competitive and fragmented nature of industry coupled with tender based business.

About the Company

Incorporated in 1995, West Bengal based BCPL Railway Infrastructure Limited (BCPL) is engaged in the execution of railway infrastructure development projects involving design, drawing, supply, erection and commissioning of 25KV, 50Hz single phase traction overhead equipment. Recently the company has ventured into exporting of commodities such as maize and oil cakes to Bangladesh from FY2022 onwards. The company is headed by Mr. Aparesh Nandi, Mr. Jayanta Kumar Ghosh, and Mr. Uday Narayan Singh, who all are promoter directors. The primary client of BCPL is Indian Railways and various railways zones such as Southern, Northern, Eastern, Central, South East Central, to name a few. The company also caters to reputed private clients, namely, Ultratech Cement Limited, Tata Steel BSL Limited, Adhunik Alloys & Power Limited, Jindal Steel & Power Limited and Rungta Mines Limited.

Analytical Approach

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

Key Rating Drivers

Strengths

Long track record of operations and experienced management

Established in 1995, BCPL Railway Infrastructure Limited (BCPL) has a long operational track record of more than two decades in the execution of railway electrification projects. The key promoters of the company, Mr Aparesh Nandi, Mr Jayanta Kumar Ghosh and Mr Uday Narayan Singh have been in the industry for more than three decades. The long standing experience has been through their partnership concerns, M/s Bapi construction and M/S U K Construction. Acuité derives comfort from the long experience of the promoters and the long track record of operations.

Modest scale of operation coupled with healthy profitability margin

The revenue of the company stood modest at Rs.105.45 crore in FY2022 as compared to Rs.83.06 crore in the previous year. This improvement in revenue is on account of increase in work order execution during the period along with venturing into export of commodities such as maize and oil cakes to Bangladesh. The company has started trading/export of commodities during FY2022 alongside its core operations. This has led the company to improve its overall top-line by ~27 per cent during FY2022. Further, the company has booked revenue of around Rs.90.00 crore till 31st Dec 2022 (Prov.). Going forward, Acuité believes that the revenue of the company will increase on account of well-established presence and comfortable order book position of around Rs. 148 crore as on 31st December 2022 along with increase in trading operations.

Though the operating profitability margin of the company has declined, but still stood healthy at 9.35 per cent in FY2022 as compared to 12.66 per cent in the previous year. This deterioration in operating profitability is mainly due to increase in trading/export activity during FY2022 over FY2021. However, the operating profitability margin of the company has improved to 10.41 per cent during H1FY2023 (Prov). This improvement in operating profitability during H1FY2023 is on account of increase in EBIDTA (%) from both business verticals i.e. railway overhead electrification and trading/export activity. The net profitability margin of the company stood at 7.04 per cent in FY2022 as compared to 9.56 per cent in the previous year. Acuité believes that the profitability margin of the company will sustain at the same level backed by in-built price escalation clause that provides cushion for covering the increased input cost. This helps the company from any large variation in the raw material prices, thus protecting the operating margins to a certain extent.

Healthy financial risk profile

The financial risk profile of the company is marked by modest net worth, very low gearing and strong debt protection metrics. The net worth of the company stood at Rs.77.02 crore in FY 2022 as compared to Rs 70.43 crore in FY2021. This improvement in networth is mainly due to the retention of profit during FY2022. The gearing of the company stood at 0.03 times as on March 31, 2022 when compared to 0.07 times as on March 31, 2021. Interest coverage ratio (ICR) is strong and strong at 10.88 times in FY2022 as against 6.62 times in FY2021. The debt service coverage ratio (DSCR) of the company also stood strong at 3.07 times in FY2022 as compared to 4.99 times in the previous year. The net cash accruals to total debt (NCA/TD) stood strong at 3.18 times in FY2022 as compared to 1.66 times in the previous year. Going forward, Acuité believes the financial risk profile of the company will remain healthy on account of steady net cash accruals and no major debt funded capex plan over the near term.

Weaknesses

Working capital intensive operations

The working capital management of the company is marked by gross current asset (GCA) days of 216 days in FY2022 as compared to 200 days in the previous year. The inventory holding period of the company stood high at 108 days in FY2022 as compared to 78 days in

the previous year. However, this increase in inventory days is on account of increase in work-in progress inventory as on 31st March 2022. The debtor days of the company stood moderate at 68 days in FY2022 as compared to 43 days in the previous year. The GCA days of the company also emanates from the other current asset of Rs.6.96 crore in FY2022, which mainly consists of advances to suppliers, balance in GST and among others. Acuité believes that the ability of the company to manage its working capital operations efficiently will remain a key rating sensitivity.

Competitive and fragmented nature of industry coupled with tender based business

The company is engaged as a civil contractor and the particular sector is marked by the presence of several mid to big size players. The company faces intense competition from the other players in the sectors. Risk becomes more pronounced as tendering is based on a minimum amount of bidding of contracts and hence the company has to make bid for such tenders on competitive prices; which may affect the profitability of the company. However, this risk is mitigated to an extent as the company is operating in this environment for the last twelve years.

Rating Sensitivities

- Scaling up of operations while maintaining their profitability margin
- Timely execution of orders
- Elongation in working capital management

Material covenants

None

Liquidity Position Adequate

The company has adequate liquidity position marked by healthy net cash accruals of Rs.7.57 crore as against Rs.1.74 long term debt obligations in FY2022. The cash accruals of the company are estimated to remain in the range of around Rs. 9.00 crore to Rs. 9.39 crore during 2023-24 as against only Rs.0.91 crore in FY2023 and Rs.0.85 crore in FY2024 of long term debt obligations respectively. The bank limit of the company has been ~44 percent utilized during the last six months ended in January 2023. The current ratio of the company stood strong at 3.15 times in FY2022. The Gross Current Asset (GCA) days of the company stood high at 216 days in FY2022. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals against the long debt repayments over the medium term.

Outlook:Stable

Acuité believes the outlook on BCPL Railway Infrastructure Limited (BCPL) will remain 'stable' over the medium term on account of the vast experience of the promoters, long track record of operations and steady revenue growth. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins and improved its working capital management. Conversely, the outlook may be revised to 'Negative' in case of a decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position or deterioration in its working capital cycle.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	105.45	83.06
PAT	Rs. Cr.	7.42	7.94
PAT Margin	(%)	7.04	9.56
Total Debt/Tangible Net Worth	Times	0.03	0.07
PBDIT/Interest	Times	10.88	6.62

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Jan 2022	Cash Credit	Long Term	15.00	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	40.00	ACUITE A3+ (Reaffirmed)
14 Oct 2020	Bank Guarantee	Short Term	40.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB Stable (Reaffirmed)
21 Aug 2020	Cash Credit	Long Term	10.00	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	30.00	ACUITE A3+ (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A3+ Reaffirmed
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BBB Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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