

### Bharat Engineering Construction Company Private Limited: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit I	20.50	SMERA BB/Stable (Assigned)
Cash Credit II	10.75	SMERA BB/Stable (Assigned)
Letter of Guarantee	15.00	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB**' (read as SMERA double B) to the Rs.31.25 crore long term (fund based) and '**SMERA A4+**' (read as SMERA A four plus) to the Rs.15.00 crore short term (non-fund based) bank facility of Bharat Engineering Construction Company Private Limited (BECCPL). The outlook is '**Stable**'. The ratings draw support from the long track record of operations and experienced management. The ratings also note the moderate financial risk profile marked by moderate gearing and interest coverage. However, the ratings are constrained by the stretched liquidity and the high bank limit utilisation of around 98.26 per cent for the period April 2015 to March 2016. The ratings also factor in the working capital intensive and tender driven business and exposure to intense competition in the EPC industry.

The company's moderate financial risk profile is evident from the operating margin of 16.13 per cent in FY2015-16 (Provisional) as against 25.08 per cent in FY2014-15. The PAT margin declined to 5.95 per cent in FY2015-16 (Provisional) against 9.35 per cent in FY2014-15. The company reported moderate gearing of 1.31 times and interest coverage ratio of 2.38 times in FY2015-16 (Provisional) as compared to gearing of 1.30 times and interest coverage of 3.20 times a year earlier. The RoCE stood at 17.74 per cent as against 21.72 per cent a year earlier. SMERA also notes that the company reports fluctuating profit after tax (PAT) from Rs.1.00 crore in FY2013-14 to Rs.6.70 crore in FY2014-15 and a decline thereafter to Rs.4.78 crore in FY2015-16 (Provisional). The company also faces intense competition from the unorganised segment of the EPC industry.

#### Outlook- Stable

SMERA believes BECCPL will maintain a stable outlook over the medium term owing to its established operations and experienced management. The outlook may be revised to 'Positive' if the company registers substantial growth in revenues and profits while maintaining strong debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile or stretch in the company's working capital cycle and liquidity.

#### Rating Sensitivity Factors

- Scaling up operations while maintaining margins
- Management of working capital fund and liquidity

#### About the Company

The Tamil Nadu-based, BECCPL was established in 2006 by Mr. H. Syed Abdul Kader and Mr. M.S. Thaika Sahib. The company executes infrastructure projects related to water supply, sewerage and solid waste management as well as constructs roads, bridges, flyovers, dams among others.

For FY2015-16, the company reported profit after tax (PAT) of Rs.4.78 crore (Provisional) on operating income of Rs.80.34 crore, as compared with profit after tax (PAT) of Rs.6.70 crore on operating income of Rs.71.68 crore in FY2014-15. The net worth of the company stood at Rs.32.31 crore as on March 31, 2016 (Provisional) against Rs.27.54 crore a year earlier.

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