

Press Release

Bharat Engineering Construction Company Private Limited

August 23, 2017



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 46.25 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB**' (**read as SMERA BB**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 46.25 crore bank facilities of Bharat Engineering Construction Company Private Limited. The outlook is '**Stable**'.

The Tamil Nadu-based, Bharat Engineering Construction Company Private Limited (BECCPL) was incorporated in 2006 by Mr. H. Syed Abdul Kader and Mr. M.S. Thaika Sahib. The company undertakes infrastructure projects related to water supply, sewerage and solid waste management apart from constructing roads, bridges, flyovers and dams. The company has also executed a real estate project, Alpha Lotus Towers at Avadi, Chennai in FY2017.

Key Rating Drivers

Strengths

- **Experienced management**

The Directors, Mr. H. Syed Abdul Kader and Mr. M.S. Thaika Sahib have more than three decades of experience in executing infrastructure projects.

- **Steady revenue growth**

The revenue has grown at a CAGR of 18 percent in the past three years. The company registered operating income of Rs.85.92 crore in FY2017 (Provisional) as against Rs. 81.10 crore in FY2016 and Rs. 71.68 crore in FY2015. Growth in operating income is mainly on account of the timely completion of the project at Avadi.

- **Moderate financial riskprofile**

BECCPL has moderate financial risk profile marked by net worth of Rs.34.88 crore in FY2017 (Provisional) as against Rs.32.27 crore in FY2016. The gearing (debt to equity ratio) stood at 0.96 times as on 31 March, 2017 (Provisional) as against 1.19 times as on 31 March, 2016. The total debt of Rs.33.43 crore mainly includes working capital borrowings of Rs.24.52 crore and short term loans from promoters of Rs. 8.25 crore as on 31 March, 2017 (Provisional). The debt protection metrics deteriorated marginally with interest coverage ratio (ICR) of 2.24 times and debt service coverage ratio (DSCR) at 1.74 times in FY2017 (Provisional) as against ICR of 2.85 times and DSCR of 2.52 times in FY2016. Further, the NCA/TD stood at 0.10 times as on 31 March, 2017 as against 0.22 times in the previous year.

Weaknesses

- **Working capital intensive operations**

BECCPL's operations are working capital intensive with gross current assets (GCA) of 336 days in FY2017 (Provisional) as against 414 days in FY2016. This is mainly on account of high inventory of

222 days in FY2017 (Provisional) and 312 days in FY2016. The average cash credit limit utilisation has been around 69 per cent in the last six months ended March 2017.

• Tender based business

The profit margins are susceptible to the tender based nature of business and intense competition in the industry.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of the company to arrive at the rating.

Outlook: Stable

SMERA believes that BECCPL will maintain a stable outlook over the medium term owing to its established track record and experienced management. The outlook may be revised to 'Positive' if the company registers significant increase in revenue and working capital management apart from maintaining profitability. Conversely, the outlook may be revised to 'Negative' in case the company undertakes large capex or reports deterioration in its financial risk profile.

About the Group

None

About the Rated Entity - Key Financials

For FY2015-16, the firm registered profit after tax (PAT) of Rs. 5.94 crore on operating income of Rs.81.10 crore as against net profit of Rs.6.70 crore on operating income of Rs.71.68 crore in the previous year. The net worth stood at Rs. 32.27 crore as on 31 March, 2016 compared to Rs. 27.54 crore 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.smerra.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
11-Jul-2016	Cash Credit-I	Long Term	INR 20.5	SMERA BB / Stable
	Cash Credit-II	Long Term	INR 10.75	SMERA BB / Stable
	Letter of 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	20.50	SMERA BB / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.75	SMERA BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA A4+

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Leena Gupta Analyst - Rating Operations Tel: 022-67141172 leena.gupta@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.