

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 risk profile**

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.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.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+

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