

Press Release

BLA Projects Private Limited

23 January, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 111.60 Cr.
Long Term Rating	SMERA BBB / Outlook: Stable
Short Term Rating	SMERA A3+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB**' (read as **SMERA triple B**) and short term rating of '**SMERA A3+**' (read as **SMERA A three plus**) on the Rs. 111.60 crore bank facilities of BLA Projects Private Limited (BLAPPL). The outlook is '**Stable**'.

BLA Projects Private Limited (BLAPPL) was established in 1978 as a proprietorship concern by Mr. Banowari Lal Agarwalla which was converted to a private limited company in 1998. The company is engaged in coal overburden removal, coal loading- unloading and road construction. It caters to Coal India Ltd along with its subsidiaries apart from National Highway Authority of India (NHAI), Ministry of Road Transport (Morth) and Public Works Departments of West Bengal of Bihar and Jharkhand.

Key Rating Drivers

Strengths

Experienced management and long track record of operations

BLAPPL has track record of nearly two decades in the said line of business. The promoter, Mr. Banowari Lal Agarwalla has more than four decades of experience in the mining business. The business is currently being led by Agarwala family consisting of Mr. Liladhar Agarwala, Mr. Ajay Agarwal 'Mrs. Radhika Kar and Mr. Sanjay Agarwala.

Growth in operating income and healthy order book position

BLAPPL has registered consistent growth in operating income with revenue of Rs 271.60 crore in FY2017 against Rs 142.87 crore in FY2013 registering a compounded annual growth rate of 17.42 per cent during the last four years. The growth in operating income has been due to the company's increased focus in mining services & allied activities. The revenues from mining as a proportion of their total revenues have grown from 37 per cent in FY'14 to 55 per cent in FY'17. During the current year, the company registered revenue of Rs 105 crore till November 2017 (provisional). Further, the company currently has an order book position of around Rs. 541.34 crores which lends comfortable revenue visibility over the medium term.

Healthy financial risk profile

The financial risk profile is marked by healthy net worth base, comfortable gearing and debt-protection metrics. The net worth stood at Rs.73.66 crore as on 31 March, 2017 compared to Rs. 68.39 crore as on 31 March, 2016. The gearing improved to a comfortable 0.53 times in FY2017 as against 0.77 times in FY2016. The debt of Rs 39.24 crore comprises of Rs 17.14 crore of short term borrowings from banks, Rs 17.68 crore of equipment finance and Rs 4.40 crore of unsecured loans from related parties and directors. The debt protection metrics is healthy marked by Interest Coverage ratio of 2.50 times in FY2017 as compared to 2.67 times in FY2016. The DSCR stood at 1.12 times in FY2017 and 1.27 times in FY2016. The NCA/TD stood at 0.30 times in FY17 as against 0.23 times in FY16. The company does not have any major capex plans over the medium term. SMERA expects the financial risk profile to improve over the medium term driven by steady accruals and absence of significant capex plans.

Weaknesses

Moderate working capital cycle

The operations are moderately working capital intensive with Gross Current Asset (GCA) days of 125 in FY2017 as against 165 days in FY2016. The company on an average utilizes ~ 90 per cent of its working capital limit.

Tender based business

The company is into mining and civil construction and has tender based operations which pose a risk of uncertainty in the awarding of tenders. Also it limits the pricing flexibility of the company.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profiles of BLAPPL.

Outlook: Stable

SMERA believes that the company will maintain a Stable outlook and continue to benefit over the medium term from its management's extensive experience and healthy financial risk profile. The outlook may be revised to 'Positive' in case of substantial and sustained increase in revenue and profitability margins. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenue and profitability margins, or significant deterioration in its capital structure due to stretch in working capital cycle. Large debt-funded capital expenditure undertaken by the company may also entail a 'Negative' outlook.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	271.60	209.98	155.75
EBITDA	Rs. Cr.	28.88	27.00	16.24
PAT	Rs. Cr.	5.28	5.06	2.44
EBITDA Margin	(%)	10.63	12.86	10.43
PAT Margin	(%)	1.94	2.41	1.57
ROCE	(%)	18.39	15.42	23.91
Total Debt/Tangible Net Worth	Times	0.53	0.74	0.77
PBDIT/Interest	Times	2.50	2.67	2.30
Total Debt/PBDIT	Times	1.42	2.15	2.40
Gross Current Assets (Days)	Days	125	165	174

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>
- Infrastructure Entities - <https://www.smera.in/criteria-infrastructure.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)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	22.60	SMERA BBB/ Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	89.00	SMERA A3+

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in Aniruddha Dhar Rating Analyst Tel: 033-66201209 aniruddha.dhar@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 varsha.bist@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.

