

Press Release

BLA Projects Private Limited

APRIL 24, 2019



Rating Downgraded

Total Bank Facilities Rated*	Rs. 111.60 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Negative (Downgraded from ACUITE BBB/ Outlook: Stable)
Short Term Rating	ACUITE A3 (Downgraded from ACUITE A3+)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded long-term rating to '**ACUITE BBB-**' (**read as ACUITE triple B minus**) from '**ACUITE BBB**' (**read as ACUITE triple B**) and short term rating to '**ACUITE A3**' (**read as ACUITE A three**) from '**ACUITE A3+**' (**read as ACUITE A three plus**) to the Rs. 111.60 crore bank facilities of BLA Projects Private LIMITED. The outlook is revised from '**Stable**' to '**Negative**'.

The downgrade is on account of substantial dip in revenue and deterioration in the working capital management especially due to elongated receivable position. The overall performance of the company has been lower than Acuité expectation in FY 2018 and FY2019 (provisional). BLA has undertaken debt funded capex in the past two years ended FY'19 resulting in high repayment obligations which might impact the financial risk profile of the company. Moreover, the company has been involved in litigation with few of its customers where the outcome has been in favour of BLAPPL, however the amount is yet to be received by the company. Any significant delay in receipt of the amount may going forward impact the cash flow of BLAPPL.

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 and Public Works Departments of West Bengal, Bihar and Jharkhand.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of BLAPPL to arrive at this rating.

Key Rating Drivers

Strengths

Experienced Management and long track record of operation

BLAPPL has an operational 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.

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.79.64 crore as on 31 March, 2018 compared to Rs. 73.66 crore as on 31 March, 2017. The gearing stood comfortable at 0.87 times as on 31 March, 2018 as against 0.53 times as on 31 March, 2017. The debt of Rs 69.06 crore as on 31st March'18 comprises of Rs 24.50 crore of short term borrowings from banks, Rs 42.27 crore of equipment finance and Rs 2.28 crore

of unsecured loans from related parties and directors. The debt protection metrics is healthy marked by Interest Coverage ratio of 2.66 times in FY2018 as compared to 2.50 times in FY2017. The DSCR stood at 1.53 times in FY2018 and 1.12 times in FY2017. The NCA/TD stood at 0.21 times in FY18 as against 0.30 times in FY17. Going forward, Acuité expects marginal deterioration in the financial risk profile on account of incremental debt of around Rs.65 crore contracted by the company in the last two years ended FY'19 thereby leading to high debt repayment obligations over the medium term.

Weaknesses

Dip in operating income

The company has registered revenue of Rs 155.91 crs in FY 2018 as against Rs 271.60 crs in the previous year. The company achieved turnover of ~ Rs 180 crs till 31st March'19 (prov). The dip in turnover was due to limited execution of civil constructions projects.

Working capital intensive nature of operations

There has been a stretch in the working capital management as marked by rise in gross current asset days to 221 in FY 18 as against 125 days in FY 17. This is on account of rise in debtor days to 113 days as on 31st March'18 as compared to 61 days as on 31st March'17. The increase in debtors days are on account of stretch in realization of receivables from civil construction business. Further, the working capital intensity is reflected from ~ 98 per cent utilization of its fund based limit during the last 11 months ended Feb'18.

Tender based nature of business

The Company is engaged in the civil construction and mining operations. The contracts of the departments are tender based. It poses a significant risk of uncertainty attached in the awarding of tenders.

Liquidity:

The company has adequate liquidity profile marked by net cash accruals of ~ Rs 14.42 crore during FY 2018 crore against Rs 5.60 crore of debt obligations during the same period. During the FY'2019, the estimated cash flows will be just sufficient to pay off of the annual obligations of ~ Rs 19.32 crore. The operations are working capital intensive marked by gross current asset (GCA) days of 221 in FY 2018. This has led to moderate reliance on working capital borrowings, the cash credit limit in the company remains utilised at 98 percent during the last 11 months period ended February 2019. The current ratio of the company stands at 1.23 times as on March 31, 2018.

Outlook: Negative

Acuité has revised the outlook of BLAPPL to 'Negative' based on significant dip in revenue, stretch in receivable position and expected deterioration in financial risk profile. The rating may get downgraded in case of sustained decline in the revenue profile leading to low profitability and deterioration in financial risk profile. The outlook may be revised to 'Stable' if the scale of operations increases substantially while improving its profitability and maintaining its liquidity profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	155.91	271.60	209.98
EBITDA	Rs. Cr.	18.91	28.88	27.00
PAT	Rs. Cr.	5.98	5.28	5.06
EBITDA Margin	(%)	12.13	10.63	12.86
PAT Margin	(%)	3.83	1.94	2.41
ROCE	(%)	16.01	18.39	15.42
Total Debt/Tangible Net Worth	Times	0.87	0.53	0.74
PBDIT/Interest	Times	2.66	2.50	2.67
Total Debt/PBDIT	Times	2.36	1.42	2.15
Gross Current Assets (Days)	Days	221	125	165

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
23-January-2018	Cash Credit	Long Term	22.60	ACUITE BBB/Stable (Assigned)
	Bank Guarantee	Short Term	89.00	ACUITE A3+ (Assigned)

***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	22.60	ACUITE BBB-/Negative (Downgraded from ACUITE BBB/Outlook: Stable)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	89.00	ACUITE A3 (Downgraded from ACUITE A3+)

Contacts:

Analytical	Rating Desk
Pooja Ghosh Head- Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in Aniruddha Dhar Rating Analyst Tel: 033-66201209 aniruddha.dhar@acuite.ratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:

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