

Press Release

The Braithwaite Burn and Jessop Construction Company Limited

02 February, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 65.00 Cr.
Long Term Rating	SMERA A+ / Outlook: Stable
Short Term Rating	SMERA A1+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA A+**' (read as **SMERA A plus**) and short term rating of '**SMERA A1+**' (read as **SMERA A one plus**) on the Rs. 65.00 crore bank facilities of The Braithwaite Burn and Jessop Construction Company Limited (TBBJCCL). The outlook is '**Stable**'.

The Braithwaite Burn and Jessop Construction Company Limited is a wholly owned undertaking of the Government of India (GoI) engaged in construction of steel bridges for railways and other civil construction works. In addition, TBBJCCL has recently started undertaking construction of Kendriya Vidyalaya Sangathan (KVS) in Odisha, Chhattisgarh, West Bengal and Uttar Pradesh under Project Management Consultancy (PMC) model where TBBJCCL will operate on an asset light model and the project will be subcontracted to the other construction company. TBBJCCL will be responsible for the overall implementation of the project and will earn a commission against the same.

Key Rating Drivers

Strengths

Wholly owned undertaking of GoI

TBBJCCL was incorporated in January 1935 for the construction of Howrah bridge over river Ganga in Kolkata (West Bengal). In 1987 - TBBJCCL became a wholly owned subsidiary of Bharat Bhari Udyog Nigam Limited (BBUNL) which was also a 100 per cent Government company. Later in 2015 TBBJCCL was merged with its holding company BBUNL and the name of TBBJCCL was maintained. Currently TBBJCCL enjoys a status of 100 per cent government owned company.

TBBJCCL over the years has constructed numerous major steel bridges for the Indian Railways like Bramhaputra Bridge in Assam, Mahanadi Bridge in Odisha, Ganga Bridge at Mokemah in Bihar, Krishna Bridge in Andhra Pradesh and many more. In 1992 TBBJCCL successfully completed construction of The Second Hooghly Bridge (Vidyasagar Setu, Kolkata), the first long span cable stayed bridge of India.

The company is one of few public sector company having the technical expertise and ability for successful construction of steel bridges for railways.

Healthy order book position

TBBJCCL has healthy order book position of Rs 760.84 crs as on December'17. The orders include construction and maintenance of railway bridges in Manipur, Mizoram, Odisha, Chhattisgarh and Jammu and Kashmir. In addition TBBJCCL has recently started undertaking construction of Kendriya Vidyalaya Sangathan (KVS) in Odisha, Chhattisgarh, West Bengal and Uttar Pradesh under PMC model.

Strong financial risk profile and robust liquidity

The company's financial risk profile is marked by healthy net worth base, comfortable gearing and debt protection metrics. The net worth base of the company stands healthy at Rs 298.51 crs in FY 2017 as against Rs 288.50 crs in FY 2016. The gearing stood comfortable at 0.27 times in FY 17 as against 0.26 times in FY16. The low gearing is on account of reliance on internal funds and mobilization advance to execute projects with minimal dependence on external borrowings. The total debt of Rs 80.35 crs as on 31st March'17 consists of Rs 67.95 crs of unsecured loans from Government of India (GOI), Rs 4.75 crs of working capital facility and Rs 6.64 crs of debentures. The debt protection metrics stands strong with interest coverage and debt service coverage ratios of 36.87 times and 14.94 times respectively in FY2017 as compared to 138.71 times and 22.94 times respectively in FY2016. SMERA believes BBJ will continue to maintain a strong financial risk profile in the medium term with steady accruals, absence of major capex plans and no long term repayment obligations in the medium term.

TBBJCL has a robust liquidity profile marked by unencumbered short term deposits of Rs 170.21 crs in FY 17. Backed by the strong liquidity, the company utilizes its fund based working capital limit of Rs 5 crs at minimum level of 1 per cent during the six month ended Dec'17.

Weaknesses

Modest scale of operations

The scale of operations is modest with revenue of Rs 89.15 crs in FY 17 as against Rs 149.30 crs in FY 16. During the current year the company has achieved revenue of Rs 46.65 crs till Nov'17.

Working capital Intensive nature of operations

The operations of the company are working capital intensive in nature with Gross Current Asset (GCA) days of 643 days in FY 17 as against 318 days in FY 16. The high GCA days are mainly on account of high inventory days, an inherent nature in the civil construction industry. The inventory days increased to 198 in FY17 from 88 days in FY 16. The debtor days stood comfortable at 27 days in FY 17 as compare to 17 days in FY 16. Though the inventory days are prolonged, the company does not rely on external borrowings to fund its working capital requirement. The company utilizes its fund based working capital limit of Rs 5 crs at minimum level of 1 per cent during the six month ended Dec'17.

Analytical Approach

For arriving at the ratings SMERA has considered the standalone financial performance and financial risk profile of TBBJCL.

Outlook: Stable

SMERA believes that the outlook on TBBJCCL will remain stable over the medium term on account of its parentage and its healthy order book position. The outlook may be revised to 'Positive' in case of its ability to increase its scale of operations and improvement in the working capital cycle. The outlook may be revised to 'Negative' in case the company fails to increase its scale of operations or delays in project execution and any deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17(Actual)	FY16(Actual)	FY15(Actual)
Operating Income	Rs. Cr.	89.15	149.30	205.53
EBITDA	Rs. Cr.	15.10	49.76	59.24
PAT	Rs. Cr.	17.65	44.40	47.71
EBITDA Margin	(%)	16.94	33.33	28.82
PAT Margin	(%)	19.80	29.74	23.21
ROCE (%)	(%)	7.76	19.77	42.99
Total Debt/Tangible Net Worth	Times	0.27	0.26	0.30
PBDIT/Interest	Times	36.87	138.71	147.31
Total Debt/PBDIT	Times	2.68	1.08	1.04
Gross Current Assets (Days)	Days	643	318	206

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	5.00	SMERA A+/ Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	30.00	SMERA A1+
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	30.00	SMERA A1+

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