

## Press Release

### The Braithwaite Burn and Jessop Construction Company Limited

May 15, 2019



#### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs. 65.00 Cr.
<b>Long Term Rating</b>	ACUITE A+/ Outlook: Negative (Rating Reaffirmed and outlook revised)
<b>Short Term Rating</b>	ACUITE A1+ (Reaffirmed)

\* Refer Annexure for details

#### Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE A+**' (read as **ACUITE A plus**) and short-term rating of '**ACUITE A1+**' (read as **ACUITE A one plus**) to the Rs. 65.00 crore bank facilities of THE BRAITHWAITE BURN AND JESSOP CONSTRUCTION COMPANY LIMITED (TBBJCCL). The outlook is revised from '**Stable**' to '**Negative**'.

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.

#### Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the TBBJCCL to arrive at this rating. The rating has been notched up for parent support from Government of India (GoI).

#### 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.

##### • Moderate financial risk profile

The company has moderate financial risk profile marked by healthy tangible network of Rs.231.80 crore as on 31 March, 2018 as against Rs.237.15 crore as on 31 March, 2017. The gearing is comfortable at 0.30 times as on 31 March, 2018 as against 0.33 times as on 31 March, 2017. 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 69.66 crs as on 31 March, 2018 consists of Rs. 65.89 crore of unsecured loans from Government of India (GOI), Rs 0.01 crore of

working capital facility and Rs. 3.27 crore of debentures. The interest coverage ratio has declined to 6.39 times in FY2018 from 24.45 times in FY2017. However, it remains comfortable.

Acuite believes that TBBJCL will sustain a moderate financial risk profile in the absence of debt funded capex plans and no long term repayment obligations.

### Weaknesses

#### • Decline in operating performance

The company registered revenues of Rs.88.94 crore in FY2018 as against Rs.82.57 crore in FY2017 and Rs. 148.91 crore in FY2016. Further, the company registered revenue of Rs.113.52 crore for FY2019. The operating margins of the company has been declining from past three years. The EBITDA margins stood negative at 5.87 per cent in FY2019 as against 9.05 per cent in FY2018 and 33.16 per cent in FY2016. The decline in margins is on account of increase in raw material costs. The decline in margins is also due to increasing employee cost whereas the revenues from operations have declined significantly over the past three years.

TBBJCL's ability to sustain revenues while maintaining profitability will be a key rating monitorable.

#### • Working capital intensive operations

The operations of the company are working capital intensive in nature with Gross Current Asset (GCA) days of 773 days in FY 18 as against 717 days in FY 17. The high GCA days are mainly on account of high inventory days, an inherent nature in the civil construction industry. The inventory days stood at 105 in FY18 and 195 days in FY 17. The debtor days increased to 162 days in FY 18 as compare to 3 days in FY 17. 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 3.00 crore at minimum level of 1.43 per cent during the six month ended March, 2019.

#### Liquidity Position:

The company has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.3.64 for FY18, while its maturing debt obligation was 0.50 crore over the same period. The cash accruals of the company are estimated to remain around Rs.3.96 to 7.93 crore during 2019-21, while its repayment obligations are estimated to be around Rs.0.50 crore. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 773 in FY 2018. However, the reliance on working capital borrowings is low as reflected in the average bank limit utilisation of 1.43 per cent from October 2018 to March 2019. The company maintains unencumbered cash and bank balances of Rs.139.97 crore as on March 31, 2018. The current ratio of the company stood healthy at 3.96 times as on March 31, 2018. Acuite believes that the liquidity of the company is likely to remain moderate over the medium term.

#### Outlook: Negative

Acuite believes that TBBJCL's outlook will remain negative over the medium term owing to continuing deterioration in operating performance. The rating may be downgraded in case of sustained decline in operating performance and deterioration in financial risk profile. Conversely, the outlook may be revised to 'Stable' if the company manages to scale up and sustain its operations while effectively managing its working capital requirements and generates healthy cash flows.

#### About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	88.94	82.57	148.91
EBITDA	Rs. Cr.	(5.22)	7.47	49.37
PAT	Rs. Cr.	2.39	17.16	44.40
EBITDA Margin	(%)	(5.87)	9.05	33.16
PAT Margin	(%)	2.68	20.78	29.82
ROCE	(%)	1.88	9.15	45.07
Total Debt/Tangible Net Worth	Times	0.30	0.33	0.32
PBDIT/Interest	Times	6.39	24.45	138.71
Total Debt/PBDIT	Times	10.00	2.62	1.08

Gross Current Assets (Days)	Days	773	717	343
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**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>
- Entities in Infrastructure Sector- <https://www.acuite.in/view-rating-criteria-14.htm>
- Criteria for Group and Parent Support-<https://www.acuite.in/view-rating-criteria-47.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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
02-Feb-2018	Cash Credit	Long Term	5.00	ACUITE A+/Stable (Assigned)
	Bank Guarantee	Short Term	30.00	ACUITE A1+ (Assigned)
	Proposed Bank Guarantee	Short Term	30.00	ACUITE A1+ (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	3.00	ACUITE A+/ Negative (Reaffirmed and outlook revised from stable)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A1+ (Reaffirmed)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	32.00	ACUITE A1+ (Reaffirmed)

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**About Acuité Ratings & Research:**

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