

Press Release

The Braithwaite Burn And Jessop Construction Company Limited

December 29, 2020



Rating Reaffirmed

| | |
|-------------------------------------|---|
| Total Bank Facilities Rated* | Rs. 65.00 Cr. |
| Long Term Rating | ACUITE A+/ Outlook: Stable (Rating reaffirmed and outlook revised) |
| Short Term Rating | ACUITE A1+ (Reaffirmed) |

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating to '**ACUITE A+**' (**read as ACUITE A plus**) and the short-term rating to '**ACUITE A1+**' (**read as ACUITE A one plus**) on the Rs.65.00 crore bank facilities of The Braithwaite Burn And Jessop Construction Company Limited (TBBJCCL). The outlook is revised from '**Negative**' to '**Stable**'.

Reason for outlook revision

The revision in outlook is on account of improvement in operating margins in FY2020 as compared to FY2019. Also, there is a growth in operating income by ~20% from FY2018 to FY2020.

About the Company

The Braithwaite Burn and Jessop Construction Company Limited is a wholly owned undertaking of the Government of India (GoI) engaged in the 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

Acuité 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**

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

TBBJCL 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 TBBJCL 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 companies 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 networth of Rs.206.44 crore as on 31 March, 2020 as against Rs.217.58 crore as on 31 March, 2019. The gearing is comfortable at 0.34 times as on 31 March, 2020 as against 0.32 times as on 31 March, 2019. 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 69.37 crore as on 31 March, 2020 consists of Rs. 65.89 crore of unsecured loans from Government of India (GOI) and Rs. 3.48 crore of debentures. The interest coverage ratio has improved to 6.67 times in FY2020 from 5.47 times in FY2019.

Acuité believes that TBBJCCL 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.106.75 crore in FY2020 as against Rs.105.37 crore in FY2019. Further, the company registered revenue of Rs.14.11 crore for the period April-August, 2020. The company has continued to register negative operating margins from past three years. The EBITDA margins stood negative at 2.50 per cent in FY2020 as against negative 10.12 per cent in FY2019 and negative 5.87 per cent in FY2018. 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.

TBBJCCL's ability to improve revenues along with the 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 781 days in FY 20 as against 720 days in FY 19. This is primarily on account of the large amount of funds that have to be maintained as security deposits and retention money with the authority and high inventory days, an inherent nature in the civil construction industry. The inventory days stood at 180 in FY20 and 92 days in FY 19. The debtor days stood 123 days in FY 20 as compare to 198 days in FY 19. 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. During the last six month ended November, 2020 the company utilisation was nil.

Rating Sensitivity

- Significant growth in operating performance
- Stretched working capital cycle and deterioration in liquidity position.

Material Covenants

None

Liquidity Position: Adequate

The company has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.3.19 for FY20, 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.4.00 to 5.73 crore during 2021-23, 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 781 in FY 2020. However, the reliance on working capital borrowings is low as reflected in the bank limit utilisation. The company maintains unencumbered cash and bank balances of Rs.30.49 crore as on March 31, 2020. The current ratio of the company stood healthy at 2.16 times as on March 31, 2020. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term.

Outlook: Stable

Acuité believes that TBBJCCL will maintain a stable outlook in the medium term on the back of the support of the Government of India, established track record of project execution and relations with reputed clients. The outlook may be revised to 'Positive' in case of significant and sustainable growth in revenue while maintaining operating margins and efficiently managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of a sharp decline in net cash accruals.

and significant elongation of working capital cycle.

About the Rated Entity - Key Financials

| | Unit | FY20 (Actual) | FY19 (Actual) |
|-------------------------------|---------|---------------|---------------|
| Operating Income | Rs. Cr. | 106.75 | 105.37 |
| PAT | Rs. Cr. | 1.96 | 0.36 |
| PAT Margin | (%) | 1.84 | 0.34 |
| Total Debt/Tangible Net Worth | Times | 0.34 | 0.32 |
| PBDIT/Interest | Times | 6.67 | 5.47 |

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.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-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|------------|------------------|--|
| 15-May-2019 | Cash Credit | Long Term | 3.00 | ACUITE A+/ Negative (Reaffirmed and outlook revised) |
| | Bank guarantee | Short Term | 30.00 | ACUITE A1+ (Reaffirmed) |
| | Proposed Bank guarantee | Short Term | 32.00 | ACUITE A1+ (Reaffirmed) |
| 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+/Stable (Reaffirmed and outlook revised) |
| Bank guarantee | Not Applicable | Not Applicable | Not Applicable | 35.00 (Enhanced from Rs.30.00 crore) | ACUITE A1+ (Reaffirmed) |
| Proposed Bank guarantee | Not Applicable | Not Applicable | Not Applicable | 27.00 | ACUITE A1+ (Reaffirmed) |

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About Acuité Ratings & Research:

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