

Press Release

Bharath Electrical Works (BEW)

08 March, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 7.65 Cr.
Long Term Rating	SMERA BB+/ Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details



Rating Rationale

SMERA has assigned long term rating of '**SMERA BB+**' (**read as SMERA double B plus**) and short term rating of '**SMERA A4+**' (**read as SMERA A4 plus**) on the above mentioned Rs. 7.65 crore bank facilities of Bharath Electrical Works (BEW). The outlook is '**Stable**'.

The Hyderabad based, Bharath Electrical Works (BEW), a proprietorship firm established in 2001 by Mr. Ahliab Janumala is engaged in the designing, construction, erection, testing and commissioning of EHT (Extra High Tension) & HT (High Tension) transmission lines and sub stations.

List of key rating drivers and their detailed description

Strengths

Experienced management

Established in 2001, BEW is a Hyderabad-based proprietorship firm engaged in the designing, construction, erection, testing and commissioning of EHT & HT transmission lines and sub stations. The proprietor, Mr. Ahliab Janumala has more than two decades of experience in the said line of business.

Healthy order book

The firm has work orders worth Rs.36.24 crore as on 14 February, 2018 of which orders worth Rs. 11.95 crore have been completed and the rest are expected to be executed by the end of August, 2018.

Moderate financial risk profile

The financial risk profile is moderate marked by tangible net worth of Rs. 2.80 crore as on 31 March, 2017 compared to Rs. 2.23 crore as on 31 March, 2016. The adjusted gearing (i.e. excluding unsecured loans from proprietor) stood at 0.49 times as on 31 March, 2017 as against 0.14 times as on 31 March, 2016. The Interest coverage ratio stood at 5.76 times and Debt Service Coverage ratio (DSCR) also stood at 5.76 times as on 31 March, 2017. The Total Outside Liabilities/Total Net worth stood at 1.87 times as on 31 March, 2017 as against 1.38 times as on 31 March, 2016.

Weaknesses

Tender driven business

The business risk profile is constrained by the tender based business. The firm participates majorly in tenders floated by state government authorities namely, Transmission Corporation of Telangana Limited (TSTRANSCO), Transmission Corporation of Andhra Pradesh Limited (APTRANSCO) among others.

Small scale of operations

The scale of operations is small despite the long track record of operations. The operating income stood at Rs.21.56 crore in FY2016-17, an improvement from Rs. 16.07 crore during the previous year.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of BEW to arrive at the rating.

Outlook – Stable

SMERA believes that the outlook on BEW's facilities will remain stable over the medium term on account of its promoter's experience in the transmission segment. The outlook may be revised to 'Positive' if the firm registers higher than expected growth in revenue while maintaining comfortable profitable margins, liquidity position and capital structure. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration of its financial risk profile.

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	21.56	16.07	5.95
EBITDA	Rs. Cr.	1.21	0.92	0.48
PAT	Rs. Cr.	1.12	0.85	0.37
EBITDA Margin	(%)	5.60	5.74	8.09
PAT Margin	(%)	5.20	5.31	6.21
ROCE	(%)	39.88	43.37	46.01
Total Debt/Tangible Net Worth	Times	0.51	0.16	0.25
PBDIT/Interest	Times	5.76	6.25	4.34
Total Debt/PBDIT	Times	1.03	0.35	0.85
Gross Current Assets (Days)	Days	72	74	95

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>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities- <https://www.smera.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

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

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

None

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 (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA BB+/Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.75	SMERA A4+
Letter of credit	Not Applicable	Not Applicable	Not Applicable	0.40	SMERA A4+

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ABOUT SMERA

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