

Press Release

BSCC Infrastructure Private Limited

April 17, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA B/ Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned the long term rating of '**SMERA B** (read as SMERA B) and short term rating of '**SMERA A4**' (read as SMERA A four) on the Rs.10.00 crore bank facilities of BSCC Infrastructure Private Limited. The outlook is '**Stable**'.

The Gujarat-based BSCC Infrastructure Private Limited (BIPL) was incorporated in 2011 by Mr. Bharatbhai Chaudhary and Mr. Babubhai Chaudhary. The company is engaged in undertaking civil construction works and also in providing BSNL pre-paid and sim card services for Mehsana district in Gujarat.

Key rating drivers

Strengths

Experienced management

The Promoters, Mr. Bharatbhai Chaudhary and Mr. Babubhai Chaudhary have experience of over two decades in the civil construction industry.

Weaknesses

Working capital intensive operations

The operations of BIPL are working capital intensive marked by high GCA days of 986 in FY2017 as against 772 in FY2016. This is majorly on account of high inventory holding period of 754 days in FY2017 as against 558 days in FY2016. The average bank limit utilization stood at 99 per cent for the last six months ended February 2018. SMERA believes that the ability of the company to effectively manage its working capital cycle will be a key rating sensitivity.

Average financial risk profile

BIPL has average financial risk profile marked by tangible net worth of Rs.7.21 crore as on 31 March, 2017 as against Rs.7.13 crore as on 31 March, 2016. The gearing stood at 0.27 times as on 31 March, 2017 as against 0.58 times as on 31 March, 2016. The debt of Rs.1.96 crore consists of unsecured loan of Rs.0.12 crore and working capital borrowings of Rs.1.84 crore as on 31 March 2017. Interest Coverage Ratio (ICR) declined to 1.97 times for FY2017 as against 3.34 times in FY2016.

Small scale of operations marked by uneven revenue trend

BIPL registered operating income at Rs.5.85 crore in FY2017 as against Rs.8.61 crore in FY2016 and Rs.10.45 crore in FY2015. Further, the firm has booked revenue of ~Rs.5.00 crore for the period of April 2017 to February 2018.

Highly fragmented and competitive industry

BIPL is in highly fragmented and competitive industry with limited entry barriers wherein the presence of large number of players in the unorganized sector limits the bargaining power with customers.

Analytical approach:

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

Outlook – Stable

SMERA believes BIPL will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	5.85	8.61	10.45
EBITDA	Rs. Cr.	0.54	0.72	0.71
PAT	Rs. Cr.	0.08	0.24	0.21
EBITDA Margin	(%)	9.19	8.34	6.78
PAT Margin	(%)	1.35	2.82	2.02
ROCE	(%)	4.50	5.15	13.73
Total Debt/Tangible Net Worth	Times	0.27	0.58	0.61
PBDIT/Interest	Times	1.97	3.34	3.31
Total Debt/PBDIT	Times	3.31	5.27	4.09
Gross Current Assets (Days)	Days	986	772	477

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

CRISIL in its press release dated 20 December, 2017 had inter-alia mentioned the following: "CRISIL has been consistently following up with BSCC Infrastructure Private Limited (BSCC) for obtaining information through letters and emails dated September 12, 2017 and October 25, 2017 among others, apart from telephonic communication. However, the issuer has remained non cooperative.

'The investors, lenders and all other market participants should exercise due caution while using the rating assigned/reviewed with the suffix 'ISSUER NOT COOPERATING'. These ratings lack a forward looking component as it is arrived at without any management interaction and is based on best available or limited or dated information on the company."

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entities in Infrastructure Sector - <https://www.smera.in/criteria-infra.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 (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA B/Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA A4
Proposed Bank Facilities	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA B/ Stable

Contacts:

Analytical	Rating Desk
<p>Suman Chowdhury President - SMERA Bond Ratings Tel: +91-22-6714 1107 suman.chowdhury@smera.in</p> <p>Avadhoot Mane, Analyst - Rating Operations Tel: +91-22-6714 1138 avadhoot.mane@smera.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in</p>

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.