Press Release

BSCC Infrastructure Private Limited

June 19, 2020

Rating Upgraded & Reaffirmed

Total Bank Facilities Rated*	Rs.10.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable (Upgraded from ACUITE B/Stable)
Short Term Rating	ACUITE A4 (Reaffirmed)

** Refer Annexure for details*

Rating Rationale

Acuité has upgraded its long-term rating to '**ACUITE B+' (read as ACUITE B plus) from 'ACUITE B' (read as ACUITE B)** and reaffirmed the short term rating of **'ACUITE A4' (read as ACUITE A four)** on the Rs.10.00 crore bank facilities of BSCC Infrastructure Private Limited. The outlook is **'Stable'**.

The rating upgrade is account of improvement in business operations, reputed clientele and moderate improvement in profitability matrix. The revenues have increased to Rs.14.98 crores in FY2019 from Rs.5.76 crores in FY2018. Further, the revenues increased to Rs.15.13 crores in FY2020 (Provisional). Its reputed clientele consists of Oil and Natural Gas Corporation Limited (ONGC). Further, the rating is supported by experienced management and long track record of operations in operations & maintenance of Oil Rigs, tank manufacturing civil work of Oil Industry. The rating is however constrained on account of modest scale of operations and continued working capital intensive nature of operations.

Gujarat based BSCC Infrastructure Private Limited (BIPL) was founded by Mr. Babubhai Shankarbhai Chaudhary and Mrs. Shivrambhai Shankarbhai Chaudhary, as partnership firm in 2004. Subsequently, a private limited company was incorporated to take over the existing business of the partnership firm in 2011. The company undertakes contracts of construction work and supply of labour for operations & maintenance work for ONGC.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced Management**
  The company is promoted by Mr. Babubhai Chaudhary and Mrs. Shivrambhai Chaudhary. The management has an experience of more than a decades in infrastructure industry. Their active presence has helped to maintain long-standing relation with reputed customer, like ONGC.
  Acuité believes that BIPL will continue to benefit from the promoter's established presence in the infrastructure industry and its association with reputed clients to sustain its business risk profile in the near to medium term.

- **Moderate financial risk profile**
  The financial risk profile of BSCC remains moderate marked by moderate net worth and debt coverage indicators. The tangible net worth stood at Rs.9.48 crore as on 31 March 2020 (provisional) as against Rs.8.27 crore as on 31 March 2019. The gearing stood at 0.40 times as on 31 March 2020 (provisional) as compared to 0.47 times as on 31 March 2019. The total debt of Rs.3.75 crore outstanding as on 31 March 2020 (provisional) comprises of Rs.2.33 crore as unsecured loans from promoters and Rs.1.42 crore as working capital borrowings from the bank. The interest coverage ratio stood at 7.01 times in FY2020 (provisional) as against 4.55 times in FY2019. Debt-EBITDA stands at 2.37 times in FY2020 (provisional) as against 2.16 times in FY2019.
  Acuité believes that the financial risk profile of BSCC will remain moderate over the medium term in the absence of any major capital expenditure plan.

Weaknesses

- **Working capital intensive cycle**
  The operations of BIPL are working capital intensive marked by GCA days of 443 days in FY2020 (provisional) as against 395 days in FY2019. This is majorly on account of high inventory holding period of 242 days in FY2020 (provisional) as against 294 days in FY2019. The collection period also stood at 112 days in FY2020 (provisional) from 110 days in FY2019. The working capital intensive operations of the company has been reflected by high bank utilization limits of 99 per cent in last six months ended May 2020.

  Acuité believes that being into infrastructure industry, high inventory and stretched receivables are inherent. The ability of the company to manage its working capital cycle will be a key rating sensitivity.

- **Customer concentration risk**
  The company faces high customer concentration risk. Its major customer is ONGC who accounted for more than 80 percent of its sales in the last three years period ended FY2020 (provisional). The high customer concentration renders the revenue growth and profitability is susceptible to the growth plans, procurement and credit policies of its key customers.

Liquidity position: Stretched

Liquidity profile of BIPL is stretched reflected by high GCA days and high bank limit utilisation. Working capital cycle is highly intensive with GCA of about 443 days in FY20 (provisional), which led to high utilisation of its working capital limits at about 99 per cent for the last six months through May 2020. The current ratio is at 2.37 times in FY2020 (provisional). BIPL's cash accruals are historically in the range of Rs.0.21-1.35 crore for the period FY2017-FY2020 (provisional) against no repayment obligations. The cash accruals are expected in the range of Rs.0.95 – 1.22 crore over the medium term against no repayment obligations.

Rating Sensitivities

- Improvement in revenue growth and profitability margins
- Further deterioration in working capital management leading to stretched liquidity

Outlook: Stable

Acuité believes that BIPL will maintain a 'Stable' outlook owing to the experience of the management in the infrastructure industry. The outlook may be revised to 'Positive' in case of stability and improvement in profitability while improving scale of operations. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	15.13	14.98
PAT	Rs. Cr.	1.20	0.90
PAT Margin	(%)	7.94	6.04
Total Debt/Tangible Net Worth	Times	0.40	0.47
PBDIT/Interest	Times	7.01	4.55

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

Not Applicable

Any other information

None

Applicable Criteria

- Infrastructure Entities - https://www.acuite.in/view-rating-criteria-51.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-53.htm
- Default Recognition - https://www.acuite.in/view-rating-criteria-52.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
14-June-2019	Cash Credit	Long Term	1.50	ACUITE B / Stable (Reaffirmed)
	Bank Guarantee	Short Term	3.50	ACUITE A4 (Reaffirmed)
	Proposed Bank Facility	Long Term	5.00	ACUITE B / Stable (Reaffirmed)
17-Apr-2018	Cash Credit	Long Term	1.50	ACUITE B / Stable (Assigned)
	Bank Guarantee	Short Term	3.50	ACUITE A4 (Assigned)
	Proposed Bank Facility	Long Term	5.00	ACUITE B / Stable (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	1.50	ACUITE B+ / Stable (Upgraded from ACUITE B/Stable)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE A4 (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE B+ / Stable (Upgraded from ACUITE B/Stable)

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About Acuité Ratings & Research:
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