Press Release

BSCC Infrastructure Private Limited

September 21, 2021

Rating Upgraded, Assigned & Reaffirmed

Total Bank Facilities Rated*	Rs.10.00 crore
Long Term Rating	ACUITE BB-/Outlook: Stable (Upgraded and Assigned)
Short Term Rating	ACUITE A4 (Reaffirmed)

** Refer Annexure for details*

Rating Rationale

Acuité has upgraded and assigned the long term rating of **'ACUITE BB-' (read as ACUITE double B minus)** from **'ACUITE B+' (read as ACUITE B plus)** and has 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 (BIPL). The outlook is **'Stable'**.

Reason for revision in rating

The rating upgrade is on account of improvement in the revenue and profitability margin of the company. The company has a recorded an operating income, which stood at Rs.21.79 crore in FY2021 (Prov.) as against Rs.14.16 crore in FY2020. Similarly, EBIDTA margin improved and stood at 10.42 percent in FY2021 (Prov.) against 9.33 percent in FY2020 and PAT margins stood at 6.77 percent in FY2021 (Prov.) as against 4.19 percent in FY2020. The company also has a healthy order book position of Rs.106.01 with Rs.22.35 crore is expected to be executed in FY2022 showing revenue visibility in the medium term. Also, the financial risk profile of the company stood moderate marked by moderate net worth, low gearing and healthy debt protection metrics

About the company

Gujarat based BSCC Infrastructure Private Limited (BIPL) was founded as a 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 is promoted by Mr. Babubhai Shankarbhai Chaudhary and Mr. Shivrambhai Shankarbhai Chaudhary and undertakes contracts of construction work and supply of labour for operations & maintenance work for ONGC.

Analytical Approach

Acuité has considered the standalone financial and business risk profile of BSCC Infrastructure Private Limited (BIPL) to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management and established market position**

  BSCC Infrastructure Private Limited (BIPL) was founded as a partnership firm in 2004 and later reconstituted into a private limited company in 2011. 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 the company will continue to benefit from the promoter's experience 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 the company stood moderate marked by moderate net worth, low gearing and healthy debt protection metrics. The tangible net worth stood at Rs.10.34 crore as on March 31, 2021 (Prov.) as against Rs.8.87 crore as on March 31, 2020. The total debt of the company stood at Rs.3.05 crore includes Rs.0.30 crore of long term debt, Rs.1.87 crore of unsecured loans and Rs.0.88 crore of short term debt as on March 31, 2021. The gearing (debt-equity) stood low at 0.30 times as on March 31, 2021 (Prov.) as compared to 0.40 times as on March 31, 2020. Interest Coverage Ratio stood at 4.29 times for FY2021 (Prov.) as against 3.26 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 4.35 times in FY2021 (Prov.) as against 2.72 times in FY2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.37 times as on March 31, 2021 (Prov.) as against 1.41 times on March 31, 2020. Net Cash Accruals to Total Debt (NCA/TD) also stood moderate at 0.59 times for FY2021 (Prov.) as against 0.20 times for FY2020.

  Acuité believes that the financial risk profile of the company is expected to remain at the same level over the medium term.

Weaknesses

- **Efficient working capital operations**

  The working capital management of the company is intensive marked by Gross Current Asset (GCA) days of 366 days in FY2021 (Prov.) as against 519 days in FY2020. This is on account of high inventory period of 174 days in FY2021 (Prov.) as against 277 days in FY2020. Receivables days stood at 145 days in FY2021 (Prov.) as against 175 days in FY2020. Also, the average bank limit utilization remained high at around 73 percent for the past trailing 7 months ended July 2021.

  Acuité believes that efficient working capital management will be crucial to the company in order to maintain a healthy risk profile.

- **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 FY2021 (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.

Rating Sensitivities

- Significant improvement in the revenue and profitability margins.
- Any elongation of the working capital cycle leading to further deterioration in financial risk profile.

Material Covenants

None.

Liquidity Position: Adequate

The company has adequate liquidity marked by sufficient net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.70-1.80 crore during the last three years through 2019-2021 as against no maturing debt obligations over the same period. The working capital operations of the company are intensive marked by gross current asset GCA days of 363 days in FY2021 (Prov.) as against 519 days in FY2020. The company maintains unencumbered cash and bank balances of Rs.0.40 crore as on March 31, 2021 (Prov.). The current ratio stands at 1.90 times as on March 31, 2021 (Prov.) as against 1.95 times as on March 31, 2020. The average bank limit utilization stood high at around 73 percent for the last 7 months ended July 2021.

Outlook: Stable

Acuité believes that the company will maintain a stable outlook over the near to medium term owing to its experienced management and established market position. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while improving profitability margins, improvement in capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenue, profit margins or deterioration in the financial risk profile, particularly its liquidity most likely as a result of higher than envisaged working capital or capex requirements.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	21.79	14.16
PAT	Rs. Cr.	1.48	0.59
PAT Margin	(%)	6.77	4.19
Total Debt/Tangible Net Worth	Times	0.30	0.40
PBDIT/Interest	Times	4.29	3.26

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
- 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
19-Jun-2020	Cash Credit	Long Term	1.50	ACUITE B+/Stable (Upgraded)
	Proposed Bank Facility	Long Term	5.00	ACUITE B+/Stable (Upgraded)
	Bank Guarantee	Short Term	3.50	ACUITE A4 (Reaffirmed)
14-Jun-2019	Cash Credit	Long Term	1.50	ACUITE B/Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	5.00	ACUITE B/Stable (Reaffirmed)
	Bank Guarantee	Short Term	3.50	ACUITE A4 (Reaffirmed)
17-Apr-2018	Cash Credit	Long Term	1.50	ACUITE B/Stable (Assigned)
	Proposed Bank Facility	Long Term	5.00	ACUITE B/Stable (Assigned)
	Bank Guarantee	Short Term	3.50	ACUITE A4 (Assigned)

*Annexure – Details of instruments rated

Lender's Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Bank of Baroda	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BB-/Stable (Upgraded)
Bank of Baroda	Term Loan	Aug-2020	7.50	Aug-2024	0.30	ACUITE BB-/Stable (Assigned)
Not Applicable	Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.70	ACUITE BB-/Stable (Upgraded)
Bank of Baroda	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE A4 (Reaffirmed)

Contacts

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About Acuité Ratings & Research:

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