

Press Release

BSCC Infrastructure Private Limited

December 01, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	3.50	-	ACUITE A4 Reaffirmed
Bank Loan Ratings	6.50	ACUITE BB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	10.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and its 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 rating reaffirmation

The rating reaffirmation takes into consideration the stable operating and financial performance of the company marked by modest revenue growth, improved profitability and moderate financial risk profile. The Company's revenue stood at similar levels at Rs.22.64 crore in FY2022 compared to revenue of Rs.21.78 crore in FY2021 while the operating profitability improved to 12.93 percent in FY2022 compared against 9.27 percent in FY21 driven by savings in raw material costs. However, the ratings remain constrained by the working capital-intensive nature of operations and high customer concentration risk.

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 Shankarbai Chaudhary and Mr. Shivrambhai Shankarbai Chaudhary and undertakes contracts of construction work and supply of labour for operations & maintenance work for ONGC.

Analytical Approach

Acuite 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, who have an experience of more than a decade in infrastructure industry. Their active presence has helped the company to maintain the stability in the revenues over the years.

Acuité believes that the company will continue to benefit from the promoter's experience in the near to medium term.

Moderate financial risk profile

BSCC Infrastructure Private limited has a moderate financial risk profile marked by tangible net worth of Rs.11.59 crore as on 31 March 2022 as against Rs.9.86 crore as on 31 March 2021. The increase in the tangible networth is due to accretion of profits in reserves. The gearing level of the company stood low at 0.25 times as on 31 March 2022 as against 0.29 times as on 31 March 2021. The total debt of the company comprised of working capital term loan of Rs.0.13 crore, unsecured loans of Rs.2.15 crore and short term debt of Rs.0.45 crores as on 31 March 2022. The coverage ratios of the company stood moderate with Interest Coverage Ratio (ICR) of 5.52 times for FY2022 against 3.81 times for FY2021. The Debt Service Coverage Ratio (DSCR) stood at 3.86 times for FY2022 against 5.14 times for FY2021. The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 1.30 times for FY2022 as against 1.47 times in FY2021.

Acuité believes that the financial risk profile of the company is expected to remain moderate over the medium term on account of no major debt-funded capital expenditure.

Weaknesses

Working capital intensive operations

The company's operations are working capital intensive as evident from Gross Current Asset (GCA) of 308 days as on March 31, 2022 as against 304 days as on March 31, 2021. The high GCA days are driven by high inventory and debtor days. The inventory levels stood at 198 days for FY2022 compared against 187 days for FY2021. Average inventory holding period of the company is around 2 months. However, the inventory days are higher as the company maintains inventory for the spares and parts of machinery which are required in regular maintenance work which it undertakes for ONGC. The debtors days stood at 112 days for FY2022 against 126 days for FY2021. Average credit period allowed to the customers is around 90 days. The creditor days of the company stood at 70 days for FY2022 as against 70 days for FY2021. Average credit period received is around 90 days. The average bank limit utilization stood high at ~88 percent in last six months ended September 22.

Acuité believes that the working capital management of the company will continue to remain a key rating sensitivity going ahead.

Customer concentration risk and tender based nature of business

The company faces high customer concentration risk as ONGC is the only customer of the company. The high customer concentration renders the revenue growth and profitability is susceptible to the growth plans, procurement and credit policies of its key customers. The company quotes for the contracts of ONGC on a tender basis. The tender base nature of operations and competitive pricing along with successful bidding of contracts will certainly impact operations of the company. Going forward, the company's ability to successfully bid for a greater number of orders remains to be seen.

Rating Sensitivities

Significant improvement in the revenue and profitability margins.

Any elongation of the working capital cycle leading to deterioration in financial risk profile.

Material covenants

None

Liquidity position: Adequate

The company has an adequate liquidity position marked by adequate net cash accruals against its maturing debt obligations. The company generated cash accruals of Rs.1.93 crore in FY22 compared against maturing debt obligations of Rs.0.10 crores over the same period. The cash accruals of the company are estimated to remain in the range of Rs.2.09-2.32 crore during 2023-25 period while its maturing debt obligations is estimated to be in the range of Rs.0.03-0.10 crore during the same period. The company's reliance on working capital borrowings is on a higher side marked by average utilization of working capital limits of ~88 percent during the last six months period ended Sept' 2022. The company maintains unencumbered cash and bank balances of Rs.0.29 crore as on March 31, 2022. The current ratio stood healthy at 1.54 times as on March 31, 2022. Acuite believes that liquidity profile is expected to remain adequate on account of adequate cash accruals against moderate repayment obligations.

Outlook: Stable

Acuite 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

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	22.64	21.78
PAT	Rs. Cr.	1.73	0.99
PAT Margin	(%)	7.62	4.56
Total Debt/Tangible Net Worth	Times	0.25	0.29
PBDIT/Interest	Times	5.52	3.81

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of

the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
21 Sep 2021	Term Loan	Long Term	0.30	ACUITE BB- Stable (Assigned)
	Proposed Bank Facility	Long Term	4.70	ACUITE BB- Stable (Upgraded from ACUITE B+ Stable)
	Bank Guarantee	Short Term	3.50	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	1.50	ACUITE BB- Stable (Upgraded from ACUITE B+ Stable)
19 Jun 2020	Proposed Bank Facility	Long Term	5.00	ACUITE B+ Stable (Upgraded from ACUITE B Stable)
	Cash Credit	Long Term	1.50	ACUITE B+ Stable (Upgraded from ACUITE B Stable)
	Bank Guarantee	Short Term	3.50	ACUITE A4 (Reaffirmed)
14 Jun 2019	Proposed Bank Facility	Long Term	5.00	ACUITE B Stable (Reaffirmed)
	Bank Guarantee	Short Term	3.50	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	1.50	ACUITE B Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	3.50	ACUITE A4 Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.50	ACUITE BB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	4.70	ACUITE BB- Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.30	ACUITE BB- Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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