

Press Release

Bygging India Limited

D-U-N-S® Number: 86-230-3369



January 02, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 124.00 Cr.
Long Term Rating	ACUITE BBB+ / Outlook: Stable
Short Term Rating	ACUITE A2

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB+**' (**read as ACUITE BBB plus**) and short term rating of '**ACUITE A2**' (**read as ACUITE A two**) on the Rs. 124.00 crore bank facilities of Bygging India Limited. The outlook is '**Stable**'.

Bygging India Limited (BIL) is a public limited company incorporated in 1983 in technical and financial collaboration with Bygging Uddemann AB, Sweden. It is an ISO 9001:2015, 14001:2004 and OHSAS 18001:2007 certified company engaged in the construction of high rise RCC structures, Chimneys, Cooling towers, Prilling towers, and silos among others. It caters to various industries including Power, Cement, steel, Iron, Sugar, etc.

With an agreement dated December 10, 2018, 51% of share capital of BIL will be acquired by Global Dominion Access, S.A. (Dominion), which shall be increased to 100 per cent of share capital over the period of four years. The transaction has been structured in two tranches. In the first tranche, Dominion will acquire 51% of the share capital of BIL for a consideration of Rs. 41.60 crore (approximately 5.1 million euros). In a second tranche, the shareholders of the remaining 49% hold a put option over such shares, to be exercised in the fourth or fifth year after the first acquisition. Dominion is also holder of a call option over such shares, which shall be exercised by the fifth anniversary. The consideration for the shares in the second tranche is linked to the performance of BIL during such period; such performance shall be measured pursuant to the free cash flow generated by BIL. The maximum price on the transaction shall not exceed 5 times average EBITDA and shall not be lower than BIL book value at the end of the relevant exercise period.

Dominion is a Spanish company primarily engaged in the construction and engineering sector started its commercial operations from 1999. Its services are provided in three areas: Technology and Telecommunications (T&T), Industry and Renewable energies. Dominion's activities are divided into two segments: Multi-technological Services, which offers design, implementation and maintenance of fixed and mobile telecommunications networks, manages sales and distribution processes for telecommunications carriers, as well as renders inspection, maintenance, repair and renovation services for industrial and energy firms. Secondly as EPCs, which executes turnkey Engineering-Procurement-Construction (EPC) projects, provides construction, repair and renovation of industrial heating installations, as well as develops processes and other technological and business solutions in numerous sectors. It has worldwide presence through its subsidiaries in Europe, America, Asia and Africa.

Analytical Approach

Acuité has considered standalone business and financial risk profile of BIL to arrive at the rating.

Key Rating Drivers

Strengths

- Established track record of operations and experienced management

The company has long operational track record for 35 years and is led by Mr. Ravishankar Modi, Managing Director and Mr. R. B. Jhalani, CEO. The management of the company has an extensive

experience of more than three decades in the construction industry. This has helped the company to build strong relationship with its customers and suppliers. BIL executes projects for marquee clients like Bharat Heavy Electricals Limited, Reliance Industries, Nirma Limited, TATA Power Company Limited, Grasim Industries, National thermal power corporation limited, Punj Lloyd (Punjab), NLC India Limited and PAD CO (Mauritius) among others. The extensive experience of the promoters is also reflected through the healthy order book of Rs. 400.0 crores, which is to be executed by March 2021, providing adequate revenue visibility over the medium term. Acuité believes that the company will continue to be benefited by the experienced management in the near term.

Dominion on the other hand is one of the reputed EPC player in the Spanish markets and has global presence through its subsidiaries having expertise in cooling towers segment. This acquisition is likely to help BIL to gain access to technical know-how and financial support from Dominion. With the acquisition BIL is positive towards acquiring new projects of Dominion's expertise.

- **Moderate financial risk profile**

BIL has moderate financial risk profile marked by moderate net worth, low gearing and healthy debt protection measures.

BIL's net worth is moderate at stood at Rs.109.44 crore as on March 31, 2018 as against Rs. 105.17 crore in the previous year. Acuité believes that the net worth will remain moderate by its revenue growth and stable operating margins leading to accretion to reserves.

The company has followed a conservative financial policy as reflected by its peak gearing (Debt to Equity) of 0.36 times over the last three years through 2017-18. The gearing of the company has further improved to 0.22 times as on March 31, 2018. The Debt to EBITDA is healthy at 1.4x as on March 31, 2018 as compared to 1.1x as on March 31, 2017. Total debt of Rs. 24.10 crore as on March 31, 2018 consists of long term loan of Rs. 0.52 crore, unsecured loans from relatives Rs. 0.60 crore, short term working capital facilities of Rs. 21.81 crore and current portion of long term debts of Rs. 1.17 crore. Total outside liabilities to tangible net worth (TOL/TNW) stood at 0.64 times as on March 31, 2018 and 0.68 times as on March 31, 2017.

The interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood healthy at 3.42 times and 2.29 times for FY2018 as compared to 4.01 times and 3.22 times respectively in FY2017. Net cash accruals to total debt (NCA/TD) stood at 0.31 times in FY2018 as compared to 0.56 times in FY2017.

Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive with gross current assets (GCA) stood at 302 days for FY2018 and 252 days for FY2017 on account of high debtors of 215 days for FY2018 and 166 days for FY2017. As on 31 March 2018 it has outstanding debtors for more than six months at Rs. 23.34 crore as against Rs. 16.06 crore as on 31 March 2017. The company has written off its bad debts to the extent of Rs. 6.66 crore in FY2018. Further, the company has doubtful debts of Rs. 20.84 crore some of which are under NCLT which are expected to be written off in FY 2019. Also, the average utilization of bank limits stood at ~85.63 per cent in the last six months ended October 2018. Acuité believes that efficient working capital management will be crucial to the company in order to maintain a stable credit risk profile.

- **Challenging business environment**

BIL faces intense competition in the construction industry due to its tender based nature of business, though the company is in specialized construction of FGD compliant chimneys it faces stiff competition from the companies like Larsen & Toubro, Simplex Infrastructure Limited. Acuité believes that the business environment for BIL would continue to remain challenging on account of increasing competition in the fragmented construction industry.

Outlook: Stable

Acuité expects Bygging India Ltd (BIL) to maintain its stable credit risk profile backed by the promoter's strong experience in the erection & commissioning of industrial structure and healthy order book. The outlook may be revised to 'Positive' in case there will be substantial and sustained improvement in the BIL's working capital cycle, particularly its receivable position from the current levels while maintaining

healthy revenue growth. Conversely, the outlook may be revised to 'Negative' in case the company reports lower than anticipated profitability, or in case of elongation of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	138.62	158.37	154.12
EBITDA	Rs. Cr.	16.43	21.98	18.54
PAT	Rs. Cr.	4.27	11.71	10.10
EBITDA Margin	(%)	11.85	13.88	12.03
PAT Margin	(%)	3.08	7.39	6.55
ROCE	(%)	10.48	16.01	14.48
Total Debt/Tangible Net Worth	Times	0.22	0.26	0.36
PBDIT/Interest	Times	3.42	4.01	3.16
Total Debt/PBDIT	Times	1.41	1.13	1.69
Gross Current Assets (Days)	Days	302	252	245

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

CRISIL, vide its press release dated October 23, 2018 had denoted the rating of BYGGING INDIA LIMITED as 'CRISIL BB+/ Stable/ CRISIL A4+; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings. The earlier rating, however, stood at 'CRISIL BBB-/Stable/CARE A3' vide its press release dated July 31, 2017.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.50	ACUITE BBB+ / Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BBB+ / Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE BBB+ / Stable (Assigned)
Proposed	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB+ / Stable (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A2 (Assigned)

Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	24.00	ACUITE A2 (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A2 (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A2 (Assigned)

*Working capital demand loan Rs. 11.50 crore and working capital in foreign currency Rs. 11.50 crore as sublimit of cash credit. Letter of credit of Rs. 0.40 crore as sublimit of bank guarantee.

**Letter of credit Rs. 4.00 crore as sublimit of Bank guarantees.

#Standby letter of credit of Rs. 7.00 crore as sublimit of Bank guarantee.

##Cash credit of Rs. 5.00 crore and letter of credit of Rs. 0.40 crore as sublimit of Bank guarantee.

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About Acuité Ratings & Research:

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