

## Press Release

### Bygging India Limited

March 25, 2020

### Rating Reaffirmed and Withdrawn



<b>Total Bank Facilities Rated*</b>	Rs. 25.00 Cr. (Reduced from Rs. 124.00 Cr.)
<b>Long Term Rating</b>	ACUITE BBB+/ Outlook: Stable (Reaffirmed and Withdrawn)
<b>Short Term Rating</b>	ACUITE A2 (Reaffirmed and Withdrawn)

\* Refer Annexure for details

### Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and short term rating of '**ACUITE A2**' (read as **ACUITE A two**) on the Rs. 25.00 crore bank facilities of Bygging India Limited (BIL). The outlook is '**Stable**'.

Further, Acuite has also withdrawn the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and short term rating of '**ACUITE A2**' (read as **ACUITE A two**) on the previously rated Rs.99.00 crore bank facility on the request of client and NOC received from the bankers in line with Acuite policy.

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

BIL was acquired by Global Dominion Access, S.A. (Dominion) in February 2019 by acquiring 51 per cent of share capital and is expected to increase to 100 per cent of share capital over the period of four year. The transaction was been structured in two tranches. In the first tranche, Dominion will acquire 51.00 percent of the share capital of BIL for a consideration of Rs. 41.60 crore (approximately 5.1 million euros) which has been executed successfully. In a second tranche, the shareholders of the remaining 49.00 hold a put option over such shares, to be exercised in the fourth or fifth year after the first acquisition. Dominion also holds call option over such shares, which shall be exercised by fifth year. 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.

### About Parent

Dominion is a Spanish company primarily engaged in the construction and engineering sector started its commercial operations from 1999. The company services majorly in three domains: 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. The company has worldwide presence through its subsidiaries in Europe, America, Asia and Africa.

## Analytical Approach

Acuite has considered standalone business and financial risk profiles of BIL while also factoring support provided by Dominion Global Access S.A (Parent Company) to arrive at the rating. Dominion Global Access S.A has extended support to BIL in form of Financial, technical and operational assistance.

## Key Rating Drivers

### Strengths

- **Established track record of operations and experienced management**

The company has long operational track record for over three decades 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. Dominion has also appointed Mr. Roberto T. Angulo and Mr. Jorge A. Aguirre on the board of BIL, with over two decade of expertise in same line of business. The company is also supported by second line of management. The extensive experience of the promoters is also reflected through the healthy outstanding order book of Rs. 433.92 crores, which is to be executed over the two years ending 2022, thus providing adequate revenue visibility over the medium term. Acuite believes that the company will continue to be benefited by the experienced management in the near term.

- **Strong parentage coupled with reputed clients**

BIL is a subsidiary of Dominion which is a Spanish company having operational track record of over two decades in construction and engineering sector. The company services majorly in three domains: 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.

This acquisition has benefited BIL by gaining access to technical and financial support from Dominion. BIL has received financial assistance from Dominion in form of External Commercial borrowings to the tune of Rs.23.70 crores repayable over 7 years to strengthen its financial support. Further, BIL has a reputed clientele such as Bharat Heavy Electricals Limited (BHEL), TATA Projects Limited, Toshiba JSW Power Systems, Toyo Engineering India Ltd., NTPC, and GE power India Ltd. among others. Acuite believes strong parent support and longstanding relationships with reputed clients ensures recurring flow of orders providing revenue visibility over near to medium term.

### Weaknesses

- **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 stood moderate and declined to Rs. 79.11 crore as on March 31, 2019 as against Rs.109.44 crore as on March 31, 2018. The decline in net worth is on account of provisions created for Doubtful debt of Rs. 23.93 crore and bad debts of Rs. 11.33 crore written off during FY2019. The company has followed a conservative financial policy as reflected by its peak gearing (Debt to Equity) of 0.34 times over the last three years through 2017-19. Total debt of Rs. 26.61 crore as on March 31, 2019 consists of long term loan of Rs. 1.42 crore, unsecured loans of Rs. 0.54 crore, short term working capital facilities of Rs. 24.65. The gearing is likely to increase in FY2020 as the company has raised External Commercial Borrowings (ECBs) to the tune of Rs. 23.70 crores from Dominion (parent company) which is repayable in 7 years. Total outside liabilities to

tangible net worth (TOL/TNW) stood at 0.96 times as on March 31, 2019 as against 0.64 times as on March 31, 2018. Net cash accruals to total debt (NCA/TD) also stood negative at 1.01 times in FY2019 as compared to 0.31 times in FY2018. The company has incurred cash losses in FY2019. This is majorly on account of creation of doubtful debt and bad debts written off to the tune of Rs.35.26 crore. However, Acuite does not expects any further bad debts write off going forward. Any major write off will remain a key monitorable.

#### • Working capital intensive operations

The operations are working capital intensive marked by Gross Current Assets (GCA) which stood at 289 days for FY2019 as against 302 days for FY2018. The high GCA is majorly on account of elongated receivable days which stood at 217 days in FY2019 and 215 days in FY2018. As on 31 March 2019, BIL has outstanding debtors for more than six months at Rs. 21.60 crore (PY: Rs. 23.34 crore). The company has written off its bad debts to the extent of Rs. 11.33 crore in FY2019. Further, the company has written off its bad debts to the extent of Rs.4.89 crore as on December 2019 which is likely to have further impact in FY2020. However, the average bank limit utilization stands comfortable at 30.68 percent for last six month ending February 2020. Acuite believes that efficient working capital management will be crucial to the company in order to maintain a stable credit risk profile.

#### • Intense competition and 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 complaint chimneys it faces stiff competition from the large establish players like Larsen & Toubro, Simplex Infrastructure Limited to name few. Acuite believes BIL will benefit from the expertise of Dominion going ahead and the business environment for BIL would continue to remain challenging on account of increasing competition in the fragmented construction industry.

#### Liquidity Position: Adequate

The liquidity profile of the company is support by infusion of ECBs by Dominion (Parent Company) and low bank level utilization which stood at 31 per cent for last six months ending February 2020. Further, the company operations in working capital intensive management marked by GCA of 217 days for FY2019 (PY: 215 days). Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accrual against no major debt repayments over the medium term.

#### Rating Sensitivities

- Improving Scale of operations
- Any further deterioration in working capital management or any major write offs
- Execution of orders in timely manner

#### Outlook: Stable

Acuite believes Bygging India Ltd (BIL) will maintain its stable credit risk profile backed by the promoter's strong experience in the erection & commissioning of industrial structure and healthy order book position. The outlook may be revised to 'Positive' in case of substantial improvement in the BIL's working capital cycle, particularly its receivable position from the current levels while maintaining healthy revenue growth and profitability. Conversely, the outlook may be revised to 'Negative' in case the company reports lower than expected profitability, or in case of further elongation of working capital cycle leading to stress in liquidity.

#### About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	138.84	138.62
PAT	Rs. Cr.	(30.33)	4.27
PAT Margin	(%)	(21.85)	3.08

Total Debt/Tangible Net Worth	Times	0.34	0.22
PBDIT/Interest	Times	(4.70)	3.42

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

CRISIL, vide its press release dated 21 January 2020 had denoted the rating of BYGGING INDIA LIMITED as 'CRISIL B+/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 BB+/Stable/A4+; Issuer Not Cooperating' vide its press release dated October, 2018.

#### 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>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
02-Jan-2019	Cash Credit	Long Term	11.50*	ACUITE BBB+/ Stable (Assigned)
	Cash Credit	Long Term	7.00	ACUITE BBB+/ Stable (Assigned)
	Cash Credit	Long Term	4.50	ACUITE BBB+/ Stable (Assigned)
	Proposed Bank Facility	Long Term	25.00	ACUITE BBB+/ Stable (Assigned)
	Bank guarantee	Short Term	25.00*	ACUITE A2 (Assigned)
	Bank guarantee	Short Term	24.00**	ACUITE A2 (Assigned)
	Bank guarantee	Short Term	7.00#	ACUITE A2 (Assigned)
	Bank guarantee	Short Term	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.

#### \*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	3.50* (Reduce from 11.50)	ACUITE BBB+/ Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BBB+ (Withdrawn)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	11.50* (reduced from 25.00)	ACUITE A2 (Reaffirmed)

Bank guarantee	Not Applicable	Not Applicable	Not Applicable	10.00** (reduced from 24.00)	ACUITE A2 (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE BBB+ (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB+ (Withdrawn)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	7.00#	ACUITE A2 (Withdrawn)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	20.00##	ACUITE A2 (Withdrawn)

\* Working capital demand loan Rs. 11.50 crore, Bank Guarantee of Rs. 11.50 crores 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 guarantee.

# 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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