

Press Release

Bygging India Limited

May 05, 2021



Rating Reaffirmed and Assigned: Withdrawn

Total Bank Facilities Rated*	Rs. 55.00 Cr (enhanced from Rs. 25 Cr)
Long Term Rating	ACUITE BBB+/Outlook: Stable (Reaffirmed and Assigned)
Short Term Rating	ACUITE A2 (Reaffirmed, Assigned and Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BBB+** (read as ACUITE triple B plus) and the short term rating of '**ACUITE A2**' (read as ACUITE A two) on the Rs. 5.00 crore bank facilities. Further, Acuité has assigned the long term rating of '**ACUITE BBB+** (read as ACUITE triple B plus) and the short term rating of '**ACUITE A2**' (read as ACUITE A two) on the Rs. 50.00 crore bank facilities. Total rated facilities of Bygging India Limited is Rs. 55.00 Cr. The outlook is '**Stable**'.

Further, Acuité has also withdrawn the long-term rating of '**ACUITE BBB+** (read as ACUITE triple B plus) and short term rating of '**ACUITE A2**' (read as ACUITE A two) on the previously rated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. 10.00 crore bank facility on the request of client and NOC received from the bankers in line with Acuité policy

About the Company

Mumbai based Bygging India Limited (BIL) is 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 and so on.

In an agreement dated December 10, 2018; 51.00 percent of share capital of BIL has been acquired by Global Dominion Access, S.A. (Dominion) as on February 2020, which shall be increased to 100 percent of share capital. 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 percentage 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.

About Parent

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: Firstly as 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 operates worldwide in Europe, America, Asia and Africa.

Analytical Approach

Acuité has considered the 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

- Experienced management and established track record of operations**

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 unexecuted order book of Rs. 499.52 crores as on April 01, 2021, which is to be executed over the two years ending 2023, thus 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.

- 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. 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. 24.71 crore 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. Acuité believes strong parent support and longstanding relationships with reputed clients ensures recurring flow of orders providing revenue visibility over near to medium term.

- Moderate financial risk profile and coverage indicators**

The company has a moderate financial risk profile marked by net worth of Rs. 87.60 Cr as on March 31, 2020 as against Rs. 79.11 Cr as on March 31, 2018. The gearing ratio stood comfortable at 0.32 times as in March 31, 2020 as against 0.34 times as on March 31, 2019. The total debt of Rs.28.01 Cr as on March 31, 2020 mainly comprises of Rs.1.15 crore of long term debt, Rs. 24.71 cr of unsecured loans by Dominion and Rs. 1.07 Cr of short term debt. Interest Coverage Ratio (ICR) improved to 4.61 times for FY2020 as against negative (4.70) times for FY2019 due to increase in operating profits. Further, TOL/TNW (Total outside Liabilities/Tangible Net worth) ratio stood at 1.20 times as on March 31, 2020 as against 0.96 times as on March 31, 2019 on the back of increase in unsecured loans provided by Dominion. Debt-EBITDA stood at 1.58 times for FY2020 as against negative (1.22) times for FY2019.

- Stable financial performance albeit moderation in profitability**

BIL has witnessed an increase in sales at a CAGR of 28.18% for the last three years ended FY20. It recorded a revenue of Rs. 199.12 Cr in FY20 as against Rs.138.84 Cr in FY2019 and Rs.138.62 Cr in FY2018 on the back of efficient execution of projects and timely acquisition of new projects as the company is financially backed by Dominion. Although, a declining trend can be witnessed in the operating margins of the company as the company has recorded an operating margin of 7.53% in FY2020 as against 9.00% in

FY2019 on the back of increase in raw material cost, change in accounting policy from actual billing to percent completion method in FY2020 and bad debts & provision being written off in FY2019. However, the PAT margin of the company has improved to 5.23% in FY20 as against negative of (21.85%) in FY2019 and 3.08% in FY2018. Furthermore, revenue in FY21 is expected to remain stable as the company has achieved a revenue of Rs. 184.16 Cr in 11MFY21 and Acuite expects the company to achieve a revenue of ~ Rs. 200 Cr in FY21.

Weaknesses

• Moderate Working Capital Management

The company has intensive working capital management marked by GCA days of 252 days for FY2020, however, improved, as against 289 days for FY2019 and 302 days for FY2018 on account of reduction in inventory holding period at 16 days for FY2020 as against 56 days for FY2019 and 54 days for FY2018. While the debtor days stood at 155 days for FY2020 as against 217 days for FY2019 as against 215 days for FY2018. Further, the company has also improved its working capital cycle to 21 days in FY2020 as against 77 days in FY2019 and 49 days in FY2018 on account of reduction in creditor days to 150 days in FY2020 as against 196 days in FY2019 and 220 days in FY2018. Acuité believes that the company's ability to efficiently manage its working capital requirements will remain the key rating sensitivity.

• 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 flue-gas desulfurization (FGD) complaint chimneys it faces stiff competition from the large established players like Larsen & Toubro, Simplex Infrastructure Limited to name few. Acuité 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.

Rating Sensitivities

- Improving scale of operations while maintaining profitability.
- Any further deterioration in working capital management, debt protection matrix or any major write off
- Execution of orders in timely and efficient manner

Material Covenants

None

Liquidity Position: Adequate

The BIL has adequate liquidity marked by moderate net cash accruals as compared to its maturing debt obligations, moderately utilized bank limits and moderate current ratio. BIL has generated net cash accruals of Rs. 7.14-Rs.13.90 Cr during the last three years through FY2018-20 vis-à-vis maturing debt obligations in the range of Rs. 1.08-Rs.1.17 Cr over the same period. The cash accruals are estimated to be around Rs. 21- Rs. 22 Cr. during FY2021-23 vis-à-vis repayment obligations in the range of Rs. 1.09 Cr. The company maintains unencumbered cash and bank balances of Rs. 4.51 crore as on March 31, 2020. The current ratio of the company stands comfortable at 2.09 times as on March 31, 2020. The average bank limit utilization for the past 12 months ended March 2021 stood moderate at 50.89 percent.

Outlook: Stable

Acuité believes that 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	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	199.12	138.84
PAT	Rs. Cr.	10.42	(30.33)
PAT Margin	(%)	5.23	(21.85)
Total Debt/Tangible Net Worth	Times	0.32	0.34
PBDIT/Interest	Times	4.61	(4.70)

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>
- Entities In Services Sector: <https://www.acuite.in/view-rating-criteria-50.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
25-Mar-2020	Cash Credit	Long Term	3.50 (Reduced from 11.50)	ACUITE BBB+/Stable (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE BBB+ (Withdrawn)
	Cash Credit	Long Term	4.50	ACUITE BBB+/Stable (Withdrawn)
	Proposed Bank Facility	Long Term	25.00	ACUITE BBB+ (Withdrawn)
	Bank Guarantee	Short Term	11.50 (reduced from 25.00)	ACUITE A2 (Reaffirmed)
	Bank Guarantee	Short Term	10.00 (reduced from 24.00)	ACUITE A2 (Reaffirmed)
	Bank Guarantee	Short Term	7.00	ACUITE A2 (Withdrawn)
	Bank Guarantee	Short Term	20.00	ACUITE A2 (Withdrawn)
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)

***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	5.00	ACUITE BBB+/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50 (Reduced from 3.50)	ACUITE BBB+/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	45.00	ACUITE A2 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.50 (Reduced from 5.00)	ACUITE A2 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A2 (Withdrawn)

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

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