

## Press Release

### Bygging India Limited

March 07, 2022



### Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.00	ACUITE A-   Stable   Assigned	-
Bank Loan Ratings	48.50	-	ACUITE A2+   Upgraded
Bank Loan Ratings	6.50	ACUITE A-   Stable   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	85.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has upgraded long-term rating from '**ACUITE BBB+**' (read as **ACUITE triple B plus**) to '**ACUITE A-**' (read as **ACUITE A minus**) and short-term rating from '**ACUITE A2**' (read as **ACUITE A two**) to '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs.55.00 crore bank facilities of Bygging India Limited (BIL). The outlook is '**Stable**'.

Acuite has further assigned the long term rating of '**ACUITE A-**' (read as **ACUITE A minus**) on the Rs.30.00 crore bank facilities of Bygging India Limited (BIL). The outlook is '**Stable**'. The upgrade in ratings take into account satisfactory total operating income with increased profitability level; despite COVID induced lockdown, entry barriers in the industry, healthy order book from reputed clientele, satisfactory financial risk profile and adequate liquidity. Further, upgrade in ratings also factor in the expected improvement in operating performance of the company. The company continues to factor in experienced management with established track record and strong parentage. The above ratings are, however underpinned by elongated gross current asset days, long standing pending receivables and concentrated order book on geographical and clientele front.

### About the Company

Bygging India Limited (BIL) is a Mumbai based company incorporated in 1983, which is engaged in construction of RCC chimneys for power generation entities and is also involved in engineering and construction of other tall structures such as Prilling towers, silos, cooling towers and window towers. The company caters to industries such as oil & Gas, Power Generation, Petrochemicals, Cement, Steel, Refineries and Metal manufacturing industries.

### Analytical Approach

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

## Key Rating Drivers

### Strengths

#### **Experienced management and established track record of operations**

The company has a long operational track record for over three decades and is led by Mr. Ravishankar Modi (Managing Director) and R.B.Jhalani (CEO). The management of the company has an extensive experience of more than three decades in the construction industry. Hence, the long track record of operations has enabled company to build strong relationship with customer and supplier. The company is further supported by qualified professionals down the line.

Acuite believes that the company is expected to benefit from the experienced management team.

#### **Strong parentage**

BIL is a subsidiary of Global Dominion Access Sociedad Anonima, a Spanish company having established track record of two decades. The company is predominantly engaged in construction and engineering segment. It has world-wide presence through its subsidiaries in Europe, USA, Asia and Africa. The company has 51% of stake in BIL, which has benefitted company by gaining access to technical and financial assistance. The association with the company has also enabled them in availing borrowings at lower interest cost. Further, Dominion has also appointed Mr. Rberto T. Angulo and Mr. Jorge A. Aguirre on the board of BIL with over two decades of expertise in same line of business.

#### **Satisfactory operating income with improved profitability backed by entry barriers**

The company reported total operating income of Rs. 196.67 crores in FY21 as against Rs.199.12 crores in FY20. The company reported satisfactory revenue despite COVID induced lockdown, mainly due to speedy execution of work order in H2FY21. However, there has been significant increase in operating profit by 43% from Rs.15.0 crores in FY20 to Rs.21.51 crores in FY21, led by decline in operating cost. The operating profit margin also increased to 10.93% in FY21 vis-à-vis 7.53% in FY20. In line with operating profit, the net profit also increased to Rs.12.96 crores in FY21 over Rs.8.49 crores in FY20. Consequently, net profit margin also increased from 4.26% in FY20 to 6.59% in FY21.

Acuite has already reported revenue and net profit of Rs.132.47 crores and Rs.6.08 crores respectively during 9MFY22. Acuite further believes that as the number of players that are involved in construction of RCC chimneys and cooling towers are few, this restricts the competition in the market and also enables in executing high margin work orders.

#### **Comfortable Financial Risk Profile**

The capital structure as represented by debt-equity ratio remained below unity at 0.49 times as on March 31, 2021 as against 0.32 times as on March 31, 2020. The moderation is mainly on account of increase in total debt in terms of outstanding working capital borrowings as on March 31, 2021. The company had also availed term loan for the purchase of machineries and equipment. The total tangible net worth improved to Rs.100.56 cores as on March 31, 2021 as against Rs.87.60 crores as on March 31, 2020, on accretion of profit to reserves. However, the interest coverage ratio almost doubled during FY21 to 8.12 times as against 4.61 times in FY20, on an account of increase in operating profit. Further, the net cash accruals to total debt also improved marginally during the year by 9 bps to 0.34 times as on March 31, 2021. The total outstanding liability to tangible net worth remained at 1.18-1.20 times during FY20-21. The debt-EBITDA, however, moderate to 2.09 times in FY21 as against 1.58 times in FY20.

The company is expected to avail term loan for purchase of machineries in FY22-23. However, Acuite believes that there would not be any significant impact in financial risk profile of the company.

#### **Healthy order book from reputed clientele**

The order book of the company remained at Rs.570 crores as on February 2022, translating to

order book to gross billing of 2.90 times. The tenor of the work orders remains between 9-24 months, thereby providing medium term revenue visibility. Further, the pending work order is spread across 27 orders with ticket size ranging between Rs.0.17 crore- Rs.82.13 cores. The clientele profile of the company majorly comprises of Public sector undertaking such as BHEL, GE Power India Limited, ISGES. In addition to this, the company has also been executing orders for private entities such as ACC Limited, Toyo Engineering Limited, Technip FMC etc. Acuite believes that with company executing work orders for reputed clientele, the risk of realization of receivables is mitigated to great extent.

## **Weaknesses**

### **Geographical and clientele concentration**

The company has been executing around 75% of outstanding work order for Bharat Heavy Electricals Limited, thereby having moderate client concentration. The company had already witnessed challenges w.r.t delay in site handover, resulting in delay in work execution. Further, the company is executing work order across 12 states, out of which around 40% of work order is being executed in the state of Bihar.

Acuite, however believes that with long standing relationship with BHEL, the risk of work execution is expected to remain minimal.

### **Elongated Gross Current Asset days**

The Gross Current Asset (GCA) days remained at 285 days in FY21 as against 252 days in FY20. The increase in GCA days is mainly on account of increase in other loans and advances in FY21 as against FY20. The debtors' days increased marginally to 164 days in FY21 as against 155 days. The elongation in debtors' days is mainly due to delayed realization of receivables led by COVID induced lockdown. The working capital utilization for the past 6 months ending January 2022 remained at ~75%.

### **Long pending receivables from client**

The debtors outstanding as on January 2022 remained at Rs.24.57 crores, of which Rs.9.0 crores of receivables are due for more than 120 days. Albeit, around Rs.7.0 crores is expected to be recovered by FY22, the same is expected to be seen.

### **ESG Factors Relevant for Rating**

Not Applicable

### **Rating Sensitivities**

- >Significant improvement in order book.
- >Any elongation of the working capital cycle leading to deterioration in debt protection metrics and liquidity profile.
- >Any delay in execution of work orders.

### **Material covenants**

None

### **Liquidity Position: Adequate**

The liquidity profile of the company is at adequate level, backed by net cash accruals of Rs.16.79 crores against debt repayment of Rs.2.31 crores. The current ratio of the company remained above unity at 1.84 times. The company also maintains cash and bank balance of Rs.2.05 crores as on March 31, 2021. The company is expected to generate net cash accruals of Rs.18.40-24.46 crores in FY21-22 against the debt obligation of Rs.2.31-1.84 crores during the period. In addition to this, the company also has investments in mutual funds (debt funds) to the tune of Rs.24.96 crores as on March 31, 2021.

Acuite believes that liquidity profile of the company is expected to remain adequate led by continuous execution of orders.

### **Outlook: Stable**

Acuité believes that the outlook on BIL will remain 'Stable' over the medium term on account of its experienced promoter and long track record of operations. The outlook may be revised to 'Positive' in case of significant improvement in scale of operations while maintaining the profitability and successful execution of work orders. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management or reduction in operating income of the company and delay in execution of work order.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	196.67	199.12
PAT	Rs. Cr.	12.96	8.49
PAT Margin	(%)	6.59	4.26
Total Debt/Tangible Net Worth	Times	0.49	0.32
PBDIT/Interest	Times	8.12	4.61

### 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>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 May 2021	Bank Guarantee	Short Term	10.00	ACUITE A2 (Withdrawn)
	Bank Guarantee	Short Term	45.00	ACUITE A2 (Assigned)
	Cash Credit	Long Term	1.50	ACUITE BBB+   Stable (Reaffirmed)
	Bank Guarantee	Short Term	3.50	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB+   Stable (Assigned)
25 Mar	Cash Credit	Long Term	7.00	ACUITE BBB+ (Withdrawn)
	Bank Guarantee	Short Term	20.00	ACUITE A2 (Withdrawn)
	Proposed Bank Facility	Long Term	25.00	ACUITE BBB+ (Withdrawn)
	Cash Credit	Long Term	4.50	ACUITE BBB+ (Withdrawn)

2020	Bank Guarantee	Short Term	10.00	ACUITE A2 (Reaffirmed)
	Bank Guarantee	Short Term	7.00	ACUITE A2 (Withdrawn)
	Cash Credit	Long Term	3.50	ACUITE BBB+   Stable (Reaffirmed)
	Bank Guarantee	Short Term	11.50	ACUITE A2 (Reaffirmed)
02 Jan 2019	Cash Credit	Long Term	7.00	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	7.00	ACUITE A2 (Assigned)
	Cash Credit	Long Term	11.50	ACUITE BBB+   Stable (Assigned)
	Cash Credit	Long Term	4.50	ACUITE BBB+   Stable (Assigned)
	Bank Guarantee	Short Term	24.00	ACUITE A2 (Assigned)
	Bank Guarantee	Short Term	20.00	ACUITE A2 (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE A2+   Upgraded
Societe Generale	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	45.00	ACUITE A2+   Upgraded
Societe Generale	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A-   Stable   Upgraded
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A-   Stable   Upgraded
Axis Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	30.00	ACUITE A-   Stable   Assigned

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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 8,850 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 Kanjurmarg, Mumbai.

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