

Press Release
Bygging India Limited

March 08, 2023



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	35.00	ACUITE A- Stable Assigned	-
Bank Loan Ratings	30.00	ACUITE A- Stable Reaffirmed	-
Bank Loan Ratings	115.00	-	ACUITE A2+ Assigned
Bank Loan Ratings	55.00	-	ACUITE A2+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	235.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating at '**ACUITE A- (read as ACUITE A minus)**' and short-term rating at '**ACUITE A2+ (read as ACUITE A two plus)**' on Rs.85.00 crore bank facilities of Bygging India Limited (BIL).

Acuite has also assigned its long-term rating of '**ACUITE A- (read as ACUITE A minus)**' and short-term rating of '**ACUITE A2+ (read as ACUITE A two plus)**' on Rs.150.00 crore bank facilities of Bygging India Limited (BIL).

The outlook is '**Stable**'.

Rationale for Rating

The reaffirmation of rating continues to factor satisfactory business performance as reflected by range bound scale of operations coupled with stable profitability level, entry barriers in the industry, moderate financial risk profile and adequate liquidity. Also, reaffirmation in ratings also factor in healthy unexecuted order book of Rs.471.10 crore outstanding from reputed clientele as of January 2023 along with L1 projects worth Rs.825.58 crore in hand. Further, the rating continues to factor in experienced management with established track record of operations and strong parentage. The above rating strengths are partly mitigated by elongated gross current asset days, the intensity of competition in industry due to tender based nature of operations restricting profit margins, long standing pending receivables and concentrated order book.

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

Acuité 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 across the hierarchy to support the day to day operations of the company. Acuite believes that the company is expected to benefit from the experienced management team.

>Strong parentage

BIL is a subsidiary of Global Dominican Access Sociedad Anonima, a Spanish company having established track record of two decades. The company is predominantly engaged in the construction and engineering segment. It has a worldwide 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. Moving ahead, the Spanish parent is expected to acquire 100% stake in BIL post March 2023. The association with the company has also enabled them to avail borrowings at lower interest cost. As per the management, the company is expected to execute work order w.r.t construction of Natural Draft Cooling Towers for BHEL, for which the company would be receiving technical assistance from the parent company.

>Satisfactory operating income with stable profitability level backed by entry barriers

The company reported total operating income of Rs. 175.93 crore in FY22 as against Rs. 196.67 crore in FY21. The decrease in turnover was due to impact of covid in 1st quarter of FY2021-22 which led to shortage of manpower, labour which ultimately impacted the execution of orders. Also, during monsoons (July-September), the volume of construction works slowed down impacting the order execution timeline. Further there was also a delay in payment from government. Also, there has been significant decrease in operating margins which stood at 8.37% in FY2022 as against 10.93 percent in FY2021. The operating profit margin also stood at 4.15% in FY2022 as against 6.59% in FY2021.

The company however has already reported revenue of Rs.167.89 crore till 9MFY23. 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.

>Moderate Financial Risk Profile

The financial risk profile of the company stood moderate marked by healthy net worth, moderate gearing, and moderate debt protection metrics. The tangible net worth stood at Rs.108.85 crore as on 31 March 2022 as against Rs.100.56 crore as on 31 March, 2021. The company has followed a conservative financial policy in the past. The total debt of the company stood at Rs.62.91 crore includes Rs.1.07 crore of long-term debt, Rs.2.12 crore of CPLTD, Rs.25.22 crore of Unsecured loans and Rs.34.50 crore of short-term debt as on 31 March, 2022. The gearing (debt-equity) stood at 0.58 times as on 31 March 2022 as compared to 0.49 times as on 31 March, 2021. Interest Coverage Ratio stood at 4.67 times for FY2022 as against 8.12 times for FY2021. Debt Service Coverage Ratio (DSCR) stood at 2.55 times in FY2022 as against 4.92 times in FY2021. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.16 times as on 31 March, 2022 as against 1.18 times as on 31 March, 2021.

Acuité believes that the financial risk profile of the BIL is likely continue to remain moderate on account of stable margins and conservative financial policy.

>Healthy order book from reputed clientele

The order book of the company remained outstanding at Rs.471.10 crore as on January 2023.

The tenor of the work orders remains between 9-24 months, thereby providing medium term revenue visibility. Further, the company also has L1 orders worth Rs.825.58 crore in hand. The company also receives mobilization advance (MA) in the range of 5-10% of contract value from both PSUs and private entities. While the MA from private entities are interest free, the company pays interest to PSUs at the rate of 10-12%. The client also retains an amount to the tune of 5% of the contract value. However, the same is released on submission of security bank guarantee. The clientele profile of the company majorly comprises of Public sector undertaking such as BHEL, GE Power India Limited, ISGES, Adani Power, RRVUNL, RPSG/CESC. In addition to this, the company has also been executing orders for private entities such as ACC Limited, Toyo Engineering Limited, Technip FMC etc. The company has been executing orders across various states such as Bihar, Chhattisgarh, Andhra Pradesh, Telangana, Madhya Pradesh and Tamil Nadu.

Acuite believes that with company executing work orders for reputed clientele, the risk of realization of receivables is partly mitigated.

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. On the equipment front, the company has well developed asset base for execution. However, the company also hires heavy machinery such as cranes and transit equipment on lease.

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

>Working Capital Intensive Operations

The working capital management of the company is intensive marked by GCA days of 312 days in FY2022 as against 287 days in FY2021. The GCA days are driven by high creditor days and debtor days. The inventory days stood at 16 days in FY2022 as against 20 days in FY2021. The debtor days stood at 150 days in FY2022 as against 164 days in FY2021. BIL generally gives a credit period of 30-45 days to its customers, sometimes 90 days. The elongation in debtors' days is mainly due to delayed realization of receivables as the company raises bill on monthly basis. The majority of the orders which BIL caters to are tender-based contracts of public sector units and private players. Also, the company is in use of discounting bills method from RXIL, particularly for government companies through which the payment gets recovered faster. The Creditor days stood at 209 days in FY2022 as against 184 days in FY2021. However, BIL generally allows a credit period within 90 days from its suppliers due to its long-standing relationship with suppliers such as Berger Paints India Limited, The Ramco Cements Limited, Ultra Tech Cement, Raghu Steel and Alloys. For imports, the company allows a credit period of 120 days.

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 company's liquidity position is adequate, marked by healthy net cash accruals against its maturity debt obligations. The company generated net cash accruals in the range of

Rs.11.97-Rs.16.79 Crore from FY 2020- 2022 against its maturity repayment obligations in the range of Rs.1.08-Rs.2.31 crore in the same tenure. In addition, it is expected to generate sufficient cash accrual in the range of Rs.14.66-17.59 crore against the maturing repayment obligations of Rs.0.77-0.85 crore over the medium term. The working capital management of the company is intensive marked by GCA days of 312 days in FY2022 as against 287 days in FY2021. The average of utilization of the working capital facilities stood at 60%-70% per cent for past 09 months ended December 2022. The company maintains unencumbered cash and bank balances of Rs.2.29 crore as on March 31, 2022. The current ratio of the company stands at 1.60 times as on March 31, 2022 as against 1.85 times as on 31 March, 2021. In addition to this, the company also has investments in mutual funds, unquoted funds to the tune of Rs.43.40 crore as on March 31, 2022.

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

Outlook: Stable

Acuite believes that BIL is likely to maintain a 'Stable' over the medium term on account of its experienced promoter and long track record of operations, entry barriers in the industry and its moderate financial risk profile. The outlook may be revised to 'Positive' in case of significant and sustained improvement in scale of operations while maintaining the profitability, successful execution of work orders. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management or further reduction in operating income of the company.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	175.93	196.67
PAT	Rs. Cr.	8.28	12.96
PAT Margin	(%)	4.71	6.59
Total Debt/Tangible Net Worth	Times	0.58	0.49
PBDIT/Interest	Times	4.67	8.12

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

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
07 Mar 2022	Cash Credit	Long Term	1.50	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Working Capital Demand Loan	Long Term	30.00	ACUITE A- Stable (Assigned)
	Bank Guarantee	Short Term	45.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Bank Guarantee	Short Term	3.50	ACUITE A2+ (Upgraded from ACUITE A2)
	Cash Credit	Long Term	5.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
05 May 2021	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)
	Bank Guarantee	Short Term	10.00	ACUITE A2 (Withdrawn)
25 Mar 2020	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)
	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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Barclays Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	55.00	ACUITE A2+ Reaffirmed
Axis Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE A2+ Assigned
Barclays Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	70.00	ACUITE A2+ Assigned
Societe Generale	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A2+ Assigned
Axis Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	30.00	ACUITE A- Stable Reaffirmed
Barclays Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	30.00	ACUITE A- Stable Assigned
Axis Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	5.00	ACUITE A- Stable Assigned

*Axis Bank- WC DL is a sub limit of OD facility

*Barclays Bank- WC DL is a sub-limit of OD facility

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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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