

## Press Release

Bygging India Limited  
June 05, 2024



### Rating Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	45.00	ACUITE A-   Negative   Reaffirmed   Stable to Negative	-
Bank Loan Ratings	180.00	-	ACUITE A2+   Reaffirmed
Bank Loan Ratings	10.00	-	Not Applicable   Withdrawn
Total Outstanding Quantum (Rs. Cr)	225.00	-	-
Total Withdrawn Quantum (Rs. Cr)	10.00	-	-

### Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and short-term rating at '**ACUITE A2+**' (read as **ACUITE A two plus**) on Rs.225.00 crore bank facilities of Bygging India Limited (BIL). The outlook is revised to '**Negative**' from '**Stable**'.

Acuite has further withdrawn its short-term rating on Rs.10.00 crore bank facilities of Bygging India Limited (BIL) without assigning any rating as the Instrument is fully repaid. The rating is being withdrawn on account of the request received from the company and the NDC received from the banker as per Acuite's policy on withdrawal of rating as applicable to the respective facility / instrument.

### Rationale for revision in outlook

The revision in outlook is due to continuous deterioration in the profitability margins of the company albeit increase in operating revenue. The operating margins declined and stood at 6.22 percent in FY2023 as against 8.37 percent in FY2022. Moreover, PAT margins stood at 0.32 percent in FY2023 as against 4.71 percent in FY2022. The decline in margins is attributable to one-time write off of bad debts, creation of provision for doubtful debt and overall higher contribution of lower margin generating projects in FY2023 vis-à-vis FY2022. The operating revenue stood at Rs.207.18 Cr. in FY2023 as against Rs.175.93 Cr. in FY2022 due to timely execution of orders. Further, the revision in outlook also considers 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. However, the healthy unexecuted order book of Rs.424.95 crore outstanding from reputed clientele namely Bharat Heavy Electricals Limited (BHEL), NTPC, GE Power India, Nabi Nagar Power Generating Company Limited (NPGCL), Bridge & Roof, Toshiba Engineering, HTG Engineering, JSW Ispat, TATA Projects Limited, ADANI Power, etc. as of April 2024 along with L1 projects worth Rs.376.13 crore in hand provide medium term revenue term visibility and support the rating reaffirmation. Further, the rating also continues to factor in experienced management with established track record of operations, moderate financial risk profile, adequate liquidity and strong parentage.

### **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. The directors of the company are Mr. Roberto Tobillas Angulo, Mr. Guillermo Aguirre Alvarez, Mr. Ram Babu Jhalani, Mr. Gopal Ravishankar Modi, Mr. Jyoti, and Mr. Jyoti Bansal.

## Unsupported Rating

Not Applicable

## 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 88% 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 2028. The association with the company has also enabled them to avail borrowings at lower interest cost. As per the management, the company has started to execute work order w.r.t construction of Natural Draft Cooling Towers, Dome Silos for BHEL, CIDCO, SAIL and among others for which the company would be receiving technical assistance from the parent company.

#### >Moderate Financial Risk Profile

The financial risk profile of the company stood moderate marked by healthy net worth, low gearing, and moderate debt protection metrics. The tangible net worth stood at Rs.109.52 crore as on 31 March 2023 as against Rs.108.85 crore as on 31 March, 2022. The total debt of the company stood at Rs.89.12 crore includes Rs.0.56 crore of long-term debt, Rs.1.47 crore of CPLTD, Rs.26.82 crore of Unsecured loans and Rs.60.28 crore of short-term debt as on 31 March, 2023. The gearing (debt-equity) stood at 0.81 times as on 31 March 2023 as compared to 0.58 times as on 31 March, 2022. Interest Coverage Ratio stood at 1.61 times for FY2023 as against 4.67 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 1.23 times in FY2023 as against 2.55 times in FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.45 times as on 31 March, 2023 as against 1.16 times as on 31 March, 2022.

Acuité believes that the financial risk profile of the BIL is likely 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.424.95 crore as of April 2024. 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.376.13 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 is 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, IFFCO, Reliance, 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**

### **Working Capital Intensive Operations**

The working capital management of the company is intensive marked by GCA days of 294 days in FY2023 as against 312 days in FY2022. The GCA days are driven by high debtor days and other current assets. The inventory days stood at 25 days in FY2023 as against 16 days in FY2022. The debtor days stood at 133 days in FY2023 as against 150 days in FY2022. 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. The majority of the orders which BIL caters to are tender-based contracts of public sector units and private players. The Creditor days stood at 173 days in FY2023 as against 209 days in FY2022. However, BIL generally gets a credit period of ~90 days from its suppliers due to its long-standing relationship with suppliers such as Berger Paints India Limited, Insta Power Ltd, Ultra Tech Cement, ALIKRAFT Engineers Pvt. Ltd and among others. For imports, the company get a credit period of 120 days.

### **Significant decline in operating margins albeit improvement in revenue**

The company reported deterioration in the operating margins albeit increase in revenue. The operating margins stood at 6.22 percent in FY2023 as against 8.37 percent in FY2022. Moreover, PAT margins stood at 0.32 percent in FY2023 as against 4.71 percent in FY2022. The decline in margins is attributable to one-time write off of bad debts, creation of provision for doubtful debt and overall higher contribution of lower margin generating projects in FY2023 vis-à-vis FY2022. However, the revenue of the company improved and stood at Rs.207.18 Crore in FY2023 as against Rs.175.93 crore in FY2022 due to timely execution of orders. 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.

### **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.

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

Not Applicable

### **Rating Sensitivities**

- Improvement in profitability margins and scale of operations
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics and liquidity profile.
- Any delay in execution of work orders.

## **Liquidity Position**

### **Adequate**

The company's liquidity position is adequate, marked by adequate net cash accruals against its maturity debt obligations. The company generated net cash accruals in the range of Rs.4.51-16.79 Crore from FY 2021- 2023 against its maturity repayment obligations in the range of Rs.2.12-2.31 crore in the same tenure. In addition, it is expected to generate sufficient cash accrual in the range of Rs.11.28-17.28 crore against the maturing repayment obligations of Rs.0.55-1.47 crore over the medium term. The working capital management of the company is intensive marked by GCA days of 294 days in FY2023 as against 312 days in FY2022. The average consolidated utilization of fund-based limits is approx..20% and of non-fund-based is around 70% of the sanctioned amount for the past 07 months ended March 2024. The company maintains unencumbered cash and bank balances of Rs.0.67 crore as on March 31, 2023. The current ratio of the company stands at 1.33 times as on March 31, 2023 as against 1.60 times as on 31 March, 2022. In addition to this, the company also has investments in mutual funds, unquoted funds to the tune of Rs.59.09 crore as on March 31, 2023.

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

### **Outlook: Negative**

Acuite has revised the outlook on BIL to 'Negative' on account of decline in operating margins. Further, it also considers 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. The rating may be downgraded in case of deterioration in the operating revenue, operating margins and working capital cycle. Conversely, the outlook may be revised to 'Stable' if the company is able to sustain improvement in scale of operations while maintaining the profitability and timely execution of work orders while restricting the elongation in its working capital cycle and maintaining the capital structure.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	207.18	175.93
PAT	Rs. Cr.	0.67	8.28
PAT Margin	(%)	0.32	4.71
Total Debt/Tangible Net Worth	Times	0.81	0.58
PBDIT/Interest	Times	1.61	4.67

### 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 Sector: <https://www.acuite.in/view-rating-criteria-51.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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Mar 2023	Bank Guarantee (BLR)	Short Term	55.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	35.00	ACUITE A2+ (Assigned)
	Bank Guarantee (BLR)	Short Term	70.00	ACUITE A2+ (Assigned)
	Bank Guarantee (BLR)	Short Term	10.00	ACUITE A2+ (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	5.00	ACUITE A-   Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	30.00	ACUITE A-   Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	30.00	ACUITE A-   Stable (Reaffirmed)
07 Mar 2022	Bank Guarantee/Letter of Guarantee	Short Term	3.50	ACUITE A2 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	45.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	1.50	ACUITE A-   Stable (Upgraded from ACUITE BBB+   Stable)
	Cash Credit	Long Term	5.00	ACUITE A-   Stable (Upgraded from ACUITE BBB+   Stable)
	Working Capital Demand Loan (WCDL)	Long Term	30.00	ACUITE A-   Stable (Assigned)
05 May 2021	Bank Guarantee (BLR)	Short Term	45.00	ACUITE A2 (Assigned)
	Bank Guarantee (BLR)	Short Term	3.50	ACUITE A2 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	10.00	ACUITE A2 (Reaffirmed & Withdrawn)
	Cash Credit	Long Term	5.00	ACUITE BBB+   Stable (Assigned)
	Cash Credit	Long Term	1.50	ACUITE BBB+   Stable (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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	145.00	ACUITE A2+   Reaffirmed
Axis Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	35.00	ACUITE A2+   Reaffirmed
Societe Generale	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	Not Applicable   Withdrawn
Barclays Bank	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A-   Negative   Reaffirmed   Stable to Negative
Axis Bank	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	35.00	ACUITE A-   Negative   Reaffirmed   Stable to Negative

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

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



## Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 <a href="mailto:mohit.jain@acuite.in">mohit.jain@acuite.in</a>  Siddharth Shah Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:siddharth.shah@acuite.in">siddharth.shah@acuite.in</a>	Varsha Bist Associate Vice President-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### 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.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.