

Press Release

BMS Projects

March 12, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 24.00 Cr.
Long Term Rating	ACUITE BB+/Stable (Assigned)
Short Term Rating	ACUITE A4+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs.24.00 crore of bank facilities of BMS Projects (BMS). The outlook is '**Stable**'.

Established in September 2014 by Mr. Bhupesh Somani and Mr. Manish Somani as a partnership firm, BMS is engaged in construction of buildings and roads in the state of Chhattisgarh. The firm is a registered Class I contractor with P.W.D.

Analytical Approach:

Acuite has taken a standalone view of the business and financial risk profile of BMS to arrive at the rating.

Key Rating Drivers:

Strengths

Experienced management

The partners of the firm Mr. Bhupesh Somani and Mr. Manish Somani have more than a decade of experience in the civil construction industry through their association with other organisation.

Above average financial risk profile

The firm has above average financial risk profile marked by moderate net worth of Rs.17.96 crore in FY2018, an increase from Rs.8.98 crore in FY2017, mainly on account of retention of current year profit. Acuite has treated the unsecured loan of Rs.7.50 crore as quasi equity as management of the group has undertaken that they will maintain the same amount over the medium term. The gearing stood comfortable at 1.02 times in FY2018, an improvement from 1.33 times in FY2017, this improvement in gearing is due to increase in net worth. The total debt of Rs.18.33 crore consists of short term debt of Rs.4.90 crore and long term loan of Rs.13.43 crore from financial institutes. The interest coverage ratio (ICR) stood comfortable at 4.50 times in FY2018 as compared to 3.59 times in the previous year. The debt service coverage ratio (DSCR) stood comfortable at 2.30 times in FY2018 as compared to 2.05 times in the previous year. Net cash accrual to total debt (NCA/TD) stood comfortable at 0.32 times in FY2018 as compared to 0.29 times in the previous year. Going forward, the financial risk profile is expected to improve backed by steady accruals and no significant debt funded capex plans.

Weaknesses

Moderate scale of operation

The scale of operation of the company stood moderate at 84.36 crore in FY2018 as compared to Rs.76.21 crore in the previous year. Going forward Acuite expects the revenue of the company will increase over the medium term mainly backed by healthy order book of Rs. 181.09 crore as on date.

Competitive and fragmented industry

BMS is into road projects under EPC revenue model, wherein the sector is marked by the presence of several mid to large sized players. The risk becomes more pronounced as tendering is based on minimum amount of bidding on contracts, and susceptibility to inherent cyclicity in the road sector. The recent relaxation of

qualification norms by the Central Government for undertaking road projects is further expected to intensify the competitive scenario in the industry leading to pressure on the profitability margins. Acuite believes that the firm's revenues and margins are susceptible to the competitive bidding scenario, besides the geographical concentration of its projects in the states of Odisha and Chhattisgarh.

Liquidity Position

The firm has adequate liquidity marked by healthy net cash accruals to its maturing debt obligation. The firm has generated cash accruals of Rs. 5.80 crore in FY2017-18, while its maturing debt obligation of Rs. 2.70 crore in FY2017-18. The firm's operations are moderately working capital intensive as marked by gross current asset (GCA) days of 95 in FY 2018. This has led to lower reliance on working capital borrowings, the cash credit limit in the firm remains utilized at 85-90 percent during the last 6 months period ended December 2018.

Outlook: Stable

Acuite believes BMS will maintain a 'Stable' outlook over the medium term owing to its promoters' extensive experience, established relations with customers and above average financial risk profile. The outlook may be revised to 'Positive' if the firm registers more than expected revenues while further improving its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the working capital management gets elongated or the financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	84.36	76.21	66.64
EBITDA	Rs. Cr.	8.05	5.25	2.88
PAT	Rs. Cr.	2.40	1.64	0.84
EBITDA Margin	(%)	9.54	6.89	4.32
PAT Margin	(%)	2.85	2.15	1.26
ROCE	(%)	20.25	25.27	34.54
Total Debt/Tangible Net Worth	Times	1.02	1.33	1.96
PBDIT/Interest	Times	4.50	3.59	3.32
Total Debt/PBDIT	Times	2.00	1.98	2.71
Gross Current Assets (Days)	Days	95	81	74

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

None

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>
- 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)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB+/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	19.00	ACUITE A4+ (Assigned)

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About Acuité Ratings & Research:

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