

Press Release

BMS Projects

June 07, 2022



Rating Reaffirmed and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	18.50	-	ACUITE A4+ Reaffirmed
Bank Loan Ratings	5.50	ACUITE BB+ Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	24.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BB-**' (read as **ACUITE double B minus**) and reaffirmed the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 24.00 Cr bank facilities of BMS Projects (BMS). The outlook is '**Stable**'.

The rating upgrade is on account of the firm's successful track record of around a decade in the civil construction industry, its healthy order book position and consistently improving operating profitability margins since the last four fiscals. Further, the rating takes cognizance of the moderate financial risk profile of the company marked by modest network, comfortable gearing and healthy debt protection metrics. These strengths are however partially offset by high geographical concentration in order book, erratic top line of the firm, working capital intensive nature of business.

About the Company

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 Chhattisgarh. The firm is a registered Class I category contractor with P.W.D. The promoters have been engaged in the civil construction business for around a decade through its erstwhile company, Baldev Infra Projects Private Limited since 2007.

Analytical Approach

Acuité 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

BMS started its business in September 2014, however the promoters have been engaged in the civil construction business for around a decade through its erstwhile company, Baldev Infra Projects Private Limited since 2007. Since inception, the firm is managed by its promoters Mr. Manish Somani and his partner Mr. Bhupesh Somani who have over a decade of experience in similar line of business. They are further ably supported by other engineers and professionals. Acuité believes that the vast experience of the promoter and the established track record of operations has enabled the firm to build strong relationship with customers as well as suppliers.

Comfortable financial risk profile

The firm's comfortable financial risk profile is marked by modest networth, comfortable gearing and healthy debt protection metrics. The tangible net worth of the firm is expected to improve to Rs.48.12 Cr as on 31st March, 2022 (Prov.) from Rs.45.10 Cr as on 31st March, 2021 due to accretion to reserves. Acuité has considered unsecured loans of Rs.23.78 Cr as on March 31, 2022 as quasi-equity as the management has undertaken to maintain it in the business during the tenure of the bank facilities. Gearing of the firm is expected to be comfortable at 0.63 times as on March 31, 2022 (prov.) as against 0.68 times as on March 31, 2021. The healthy debt protection metrics of the group is marked by Interest Coverage Ratio at 3.12 times and Debt Service Coverage Ratio (DSCR) at 1.97 times as on March 31, 2022 (prov.). NCA/TD stood at 0.26 times in FY2022 (prov.). Going forward, Acuité believes that the financial risk profile of the firm will improve over the medium term backed by steady accruals and no major debt funded capex plans.

Consistent improvement in operating profitability

The operating margin of the firm has consistently increased to 15.15 per cent in FY22 (prov.) from 12.88 per cent in FY21 and 11.82 per cent in FY20. The PAT margin of the firm stood at 3.18 per cent in FY22 (prov.). The improvement in operating margin is owing to addition in fixed assets, commencement of captive quarry as a part of backward integration strategy and management's focus to bid for high profitability tenders only. To support the order book of the firm and speed up work at various project sites, the firm had invested substantially in plant and machinery in FY21. This has not only helped the firm in timely completion of the projects in hand but also increased the profitability of the firm since cost of machines taken on hire are significantly higher than owned machines.

Weaknesses

Working capital intensive nature of operations

The working capital intensive nature of operations is marked by expected Gross Current Asset (GCA) of 186 days in FY2022 (prov.) as compared to 192 days in FY2021 due to the inherent nature of the work. Though the GCA days have improved since the last two FYs but the working capital cycle still remains intensive. The debtor period is expected to decrease from 97 days in FY2021 to 66 days in FY2022 (prov.) due to timely realisation from customers. The inventory days stood efficient at 69 days in FY2022 (prov.) compared to 43 days in FY2021. Acuité believes that the working capital management of the firm will improve yet remain intensive over the medium term as the funds remain blocked in retention money and collection period is usually moderate with PSUs.

Moderate scale of operations along with inherent risks in tender-based business

The scale of operations of the firm have decreased to around Rs.95 Cr in FY22 (prov.) as compared to Rs.110 Cr in FY21, thereby registering a y-o-y decline of 13.48 per cent in FY22 and a growth of 25.31 per cent in the previous period. The decrease in top line in FY22 is majorly due to is due to delay in billing from PSU units. However, the unexecuted order book to the tune of Rs.315 Cr to be executed in the next 2-3 years, provides comfortable revenue

visibility.

Intense competition from several players, and exposure to risks arising from dependence on tenders and geographical presence restricted to Chhattisgarh and Odisha, restrict BMS's ability to scale up further. Growth in revenue and profitability depends on the company's ability to bid successfully and executes order within stipulated time frame.

Constitution as a partnership entity

BMS Project, being a partnership entity, is exposed to inherent risk of the partners' capital being withdrawn at time of personal contingency and entity being dissolved upon the death/insolvency of the partner. The quasi capital has been withdrawn in the past in FY20. Furthermore, partnership entities have restricted access to external borrowing.

Rating Sensitivities

- Increase in the scale of operations
- Elongation in the working capital cycle
- Withdrawal of quasi capital
- Ability to bag more orders

Material covenants

None

Liquidity Position: Adequate

The firm's liquidity position is adequate marked by estimated net cash accruals of around Rs.8.00 Cr in FY2022 (prov.) as against long term debt repayment of Rs.3.87 Cr over the same period. The current ratio of the firm has improved and is comfortable at 2 times as on March 31, 2022 (prov.) as against 1.69 times in FY21. The firm has unencumbered cash and bank balances of around Rs.2.99 Cr as on 31st Mar'21. The fund based limit remained utilised at 83 per cent over the six months ended Mar, 2022. Acuité believes that going forward the firm's liquidity position will improve due to steady cash accruals.

Outlook: Stable

Acuité believes that the company will maintain 'stable' outlook over the medium term due to its experienced management, comfortable order book position and moderate financial risk profile. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenues while further improving its order book position. Conversely, the outlook may be revised to 'Negative' in case of any significant decline in the revenues, or elongation in the working capital cycle.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	109.86	87.67
PAT	Rs. Cr.	3.84	2.61
PAT Margin	(%)	3.49	2.98
Total Debt/Tangible Net Worth	Times	0.68	0.41
PBDIT/Interest	Times	3.12	2.51

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

- CARE, vide its press release dated Mar 10, 2022 had denoted the rating of BMS Projects as 'CARE B-/Stable/A4; ISSUER NOT COOPERATING'.
- ICRA, vide its press release dated Apr 26, 2021 had denoted the rating of BMS Projects as 'ICRA B-/Stable/A4; ISSUER NOT COOPERATING'.

Any other information

Not Applicable

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

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
17 Aug 2021	Cash Credit	Long Term	5.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Long Term	19.00	ACUITE A4+ (Issuer not co-operating*)
19 May 2020	Bank Guarantee	Short Term	19.00	ACUITE A4+ (Issuer not co-operating*)
	Cash Credit	Long Term	5.00	ACUITE BB (Downgraded and Issuer not co-operating*)
12 Mar 2019	Cash Credit	Long Term	5.00	ACUITE BB+ Stable (Assigned)
	Bank Guarantee	Short Term	19.00	ACUITE A4+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	18.50	ACUITE A4+ Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE BB+ Stable Upgraded

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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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