



Press Release
BMS Projects
October 12, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	7.00	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	44.00	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	51.00	-	-

Rating Rationale

Acuite has reaffirmed its long term rating of **'ACUITE BBB-'** (read as **ACUITE triple B minus**) and its short term rating of **'ACUITE A3'** (read as **ACUITE A three**) on the Rs. 51.00 Cr bank facilities of BMS Projects (BMSP). The outlook remains **'Stable'**.

Rationale for rating reaffirmation

The rating reaffirmation factors in the comfortable order book position of the firm providing it with steady revenue visibility over the medium term. The rating also considers the improvement in the scale of operations in FY2023 as against FY2022. BMSP's revenues rose to Rs. 116.49 Cr in FY2023 (Provisional) from Rs. 95.93 Cr in FY2022 and Rs. 110.83 Cr in FY2021. The rating also considers the above average financial risk profile reflected by the improving gearing and comfortable debt coverage indicators. The rating further takes into account the gradual improvement in the debtor cycle resulting in moderate utilization of its working capital limits and the adequate liquidity profile.

These strengths are, however, offset by the firm's working capital intensive nature of operations and the exposure to geographic concentration along with intense competition in the tender based civil construction industry.

About The Firm

Established in 2014, BMS Projects is a partnership firm managed by Mr. Bhupesh Somani and Mr. Manish Somani. The firm undertakes construction works for roads and buildings majorly in Odisha and Chhattisgarh. BMSP is a registered Class I category 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

BMSP is managed by Mr. Manish Somani and his partner Mr. Bhupesh Somani who have around two decades of experience in the civil construction business. The partners are supported by a group of professionals and engineers.

Acuite derives comfort from the vintage of the promoters and believes that long standing

presence of the firm along with the healthy relationship with the clientele will continue to support the firm going forward.

Improvement in the scale of operations

The firm's scale of operations has improved to Rs. 116.49 Cr in FY2023 (Provisional) from Rs. 95.93 Cr in FY2022 and Rs. 110.83 Cr in FY2021. The increase in revenues are on account of timely execution of the orders and the timely billing of the same. Further, the firm has unexecuted orders of around Rs. 265.69 Cr as on September, 2023 which are expected to be executed in the next 12 to 18 months. Moreover, BMSP has achieved revenues of Rs. 41.11 Cr till August, 2023.

Acuité believes that the scale of operations will improve further on the back of comfortable revenue visibility over the medium term.

However, the operating margin of the firm declined to 14.00 per cent in FY2023 (Provisional) as against 16.27 per cent in FY2022 due to rise in the cost of raw materials. The firm has an inbuilt price escalation clause though it was passed on with a lag. The PAT margin stood at 2.82 per cent in FY2023 (Provisional) as compared to 2.63 per cent in FY2022. Going forward, improvement in the profitability margins will be key monitorable.

Above average financial risk profile

The firm's financial risk profile is marked by improving adjusted network, low adjusted gearing and comfortable debt protection metrics. The adjusted tangible net worth of the firm improved to Rs.60.55 Cr as on 31st March, 2023 (Provisional) from Rs. 56.60 Cr as on 31st March, 2022 due to accretion to reserves. Acuité has considered unsecured loans of Rs.33.82 Cr as on March 31, 2023 as a part of network as the management has undertaken to maintain it in the business during the tenure of the bank facilities. Adjusted gearing of the firm improved and remained comfortable at 0.41 times as on March 31, 2023 (Provisional) as against 0.48 times as on March 31, 2022. The Total outside Liabilities/Adjusted Tangible Net Worth (TOL/ATNW) stood at 1.15 times as on March 31, 2023 (Provisional) as against 1.08 times as on March 31, 2022. The comfortable debt protection metrics of the firm is marked by Interest Coverage Ratio at 2.56 times, however, the Debt Service Coverage Ratio (DSCR) stood moderate at 1.42 times as on March 31, 2023 (Provisional). NCA/TD stood at 0.33 times in FY2023 (Provisional).

Acuité believes that the financial risk profile of the firm will remain above average over the medium term with no major debt funded capex plans and steady accruals.

Weaknesses

Working capital intensive nature of operations

The working capital intensive nature of operations is marked by Gross Current Asset (GCA) of 200 days in FY2023 (Provisional) as compared to 242 days in FY2022. The GCA days improved primarily on account of improvement in the debtor cycle. The debtor days improved to 47 days in FY2023 (Provisional) from 113 days in FY2022 due to better realisation from customers. However, the inventory days stood high at 96 days in FY2023 (Provisional) compared to 95 days in FY2022.

Acuité believes that the firm's working capital management will remain around similar levels over the medium term on account of the high inventory cycle and moderate level of funds maintained in the form of retention money.

Geographical concentration and inherent risks in tender-based business

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

Rating Sensitivities

- Increase in the scale of operations while improvement in the profitability margins
- Elongation in the working capital cycle
- Risk of withdrawal of capital

All Covenants

None

Liquidity Position: Adequate

The firm's liquidity position is adequate marked by net cash accruals of around Rs. 8.22 Cr in FY2023 (Provisional) as against long term debt repayment of Rs. 3.86 Cr over the same period. The fund-based limit remains moderately utilised at 83 per cent over the six months ended July 2023. The current ratio of the firm stood at 1.35 times as on March 31, 2023 (Provisional). The firm has unencumbered cash and bank balances of around Rs. 0.84 Cr as on 31st March 2023 (Provisional). However, the working capital management of the firm is intensive in nature marked by Gross Current Asset (GCA) of 200 days in FY2023 (Provisional) as compared to 242 days in FY2022 due to the nature of the work. Acuité believes that going forward the firm's liquidity position will remain adequate due to steady cash accruals.

Outlook: Stable

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

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	116.49	95.93
PAT	Rs. Cr.	3.29	2.52
PAT Margin	(%)	2.82	2.63
Total Debt/Tangible Net Worth	Times	0.41	0.48
PBDIT/Interest	Times	2.56	2.53

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

CARE, vide its press release dated Apr 28, 2023 had denoted the rating of BMS Projects as 'CARE B-/Stable/A4; ISSUER NOT COOPERATING'.

ICRA, vide its press release dated Aug 08, 2023 had denoted the rating of BMS Projects as 'ICRA B-/Stable/A4; ISSUER NOT COOPERATING'.

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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 Jul 2022	Cash Credit	Long Term	1.50	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	20.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	5.50	ACUITE A3 (Assigned)
	Cash Credit	Long Term	5.50	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	18.50	ACUITE A3 (Reaffirmed)
30 Jun 2022	Bank Guarantee	Short Term	18.50	ACUITE A3 (Upgraded from ACUITE A4+)
	Cash Credit	Long Term	5.50	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
07 Jun 2022	Cash Credit	Long Term	5.50	ACUITE BB+ Stable (Upgraded from ACUITE BB-)
	Bank Guarantee	Short Term	18.50	ACUITE A4+ (Reaffirmed)
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*)
	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*)
	Cash Credit	Long Term	5.00	ACUITE BB (Downgraded and Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	5.50	ACUITE A3 Reaffirmed
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	18.50	ACUITE A3 Reaffirmed
Axis Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A3 Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.50	ACUITE BBB- Stable Reaffirmed
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.50	ACUITE BBB- Stable Reaffirmed

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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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