

Press Release

B C Bhuyan Construction Private Limited

August 21, 2019

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs. 35.00 Cr.
Long Term Rating	ACUITE BBB/Stable (Reaffirmed and Assigned)
Short Term Rating	ACUITE A3+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) to the Rs.14.00 Cr. bank facilities and assigned the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) to the Rs.21.00 Cr. bank facilities of B C Bhuyan Construction Private Limited (BCPL). The outlook is '**Stable**'.

Incorporated in 2007, B C Bhuyan Construction Private Limited (BCBCPL) is engaged in the construction of bridges and buildings in various districts of Odisha. The company executes orders for government entities including Odisha Industrial Infrastructure Development Corporation (IDCO), Central Public Works Department (CPWD), Odisha Water Supply and Sewerage Board (OWSSB) and East Coast Railway. It was established as a partnership firm in 1971 as 'B C Bhuyan Constructions' and was reconstituted as a private limited company in 2007. The company was founded by Mr. B C Bhuyan and is currently managed by Mr. Pradeep Kumar Bhuyan and Mr. Pramod Kumar Bhuyan.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of BCBCPL to arrive at the rating.

Key Rating Drivers

Strengths

• Long track record of operations and experienced promoters

The company has a long track record of over three decades in the civil construction business with established record of project execution related to building and bridges. The company was founded by Mr. B C Bhuyan and is currently managed by Mr. Pradeep Kumar Bhuyan and Mr. Pramod Kumar Bhuyan. The promoter, Mr. Pradeep Kumar Bhuyan has been associated with this industry for over a decade. Acuite believes that its long established market presence and successful completion of the past contracts will help to secure fresh orders going forward.

• Healthy order book position

The company is currently executing orders for government entities including Odisha Industrial Infrastructure Development Corporation (IDCO), Central Public Works Department (CPWD), Odisha Water Supply and Sewerage Board (OWSSB) and East Coast Railway. Orders amounting to ~Rs.454 crore are expected to be completed in next two-three years, thereby providing adequate revenue visibility in the medium term.

All its projects are on direct tendering basis, except for railway projects that are executed under joint venture. Moreover, the company has bid for projects worth Rs.286 crore, which is yet to be awarded.

• Comfortable financial risk profile

The company's financial risk profile is marked by modest net worth, comfortable gearing and debt protection metrics. The net worth of the company improved to Rs.23.90 crore as on 31 March, 2019 (prov) as against Rs.17.69 crore in the previous year due to accretion in reserves. The gearing improved to 0.57 times as on 31 March, 2019 (Provisional) from 0.68 times in the previous year. Total debt of Rs.13.62 crore in FY19 (Provisional) consists of Rs.1.19 crore of long term loan, Rs.0.46 crore of unsecured loan from promoters and Rs.11.97 crore of working capital borrowings. The debt protection metrics is healthy marked by interest coverage ratio (ICR) of 5.45 times in FY2019 (Provisional) and debt service coverage ratio (DSCR) of 4.34 times as on March 31, 2019 (Provisional). Going forward, the financial risk profile is expected to remain stable

in the absence of any significant debt funded capex.

Weaknesses

• Working capital intensive operations

The company has working capital intensive nature of operations marked by Gross Current Assets (GCA) of 156 days for FY2019 (Provisional) as against 182 days for FY2018. Inventory days stood at 25 days in FY2019 same as in FY2018. The debtor days stood at 97 days in FY2019, consistent with the previous year. Further, the average cash credit limit remains utilised to the extent of 83 percent during the last twelve months ended June, 2019. Acuite believes that the company's ability to maintain its working capital efficiently will remain a key rating sensitivity.

• Highly competitive industry and tender driven business

The construction industry is highly fragmented with the presence of large number of players executing small projects. Further, operations of company are tender-based and order procurement depends on the successful bidding of projects. Thus, going forward, the company's ability to successfully bid for greater number of large orders remains to be critical.

Liquidity Profile:

BCBCPL has adequate liquidity position marked by net cash accruals of Rs.6.61 crore in FY2019 against no significant long term debt obligations. BCBCPL has working capital intensive operations marked by gross current asset (GCA) of 156 days for FY2019 (Provisional) as against 182 days for FY2018. The current ratio of the company stood at 1.38 times as on March 31, 2019 and the cash credit limit of the company remains utilised at 83 percent during the last twelve months ended June, 2019. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term owing to improved cash accruals.

Outlook: Stable

Acuite believes that BCBCPL will maintain a 'Stable' outlook over the medium term on account of its experienced management and healthy order book position over the medium term. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenue and net cash accruals, while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenue and profitability, deterioration in the financial risk profile owing to higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	109.54	66.05	69.74
EBITDA	Rs. Cr.	9.24	5.94	5.38
PAT	Rs. Cr.	6.21	3.11	2.90
EBITDA Margin	(%)	8.44	9.00	7.72
PAT Margin	(%)	5.67	4.71	4.16
ROCE	(%)	30.87	24.65	46.43
Total Debt/Tangible Net Worth	Times	0.57	0.68	0.70
PBDIT/Interest	Times	5.45	3.43	4.71
Total Debt/PBDIT	Times	1.26	1.72	1.67
Gross Current Assets (Days)	Days	156	182	138

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

India Ratings, vide its press release dated May 17, 2019 had denoted the rating of B C BHUYAN CONSTRUCTION PRIVATE LIMITED as 'IND BBB- (ISSUER NOT COOPERATING)'.

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition- <https://www.acuite.in/view-rating-criteria-17.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
08-Aug-2019	Cash Credit	Long Term	12.50	ACUITE BBB/Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.00 (Enhanced from Rs.12.50 Cr.)	ACUITE BBB/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A3+ (Assigned)

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About Acuité Ratings & Research:

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