

Press Release

B C Bhuyan Construction Private Limited

September 29, 2020



Rating Assigned and Reaffirmed

Total Bank Facilities Rated*	Rs. 42.50 Cr.
Long Term Rating	ACUITE BBB / Stable (Assigned and Reaffirmed)
Short Term Rating	ACUITE A3+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed and assigned the long term rating of '**ACUITE BBB**' (**read as ACUITE triple B**) on the Rs.19.50 crore bank facilities and short term rating of '**ACUITE A3+**' (**read as ACUITE A three plus**) on the Rs.23.00 crore 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

Acuité has considered the standalone business and financial risk profile of BCPL 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 an 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, who has been associated with this industry for over a decade. Acuité 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 and reputed clientele**

The company is currently executing orders for Government entities like Odisha Industrial Infrastructure Development Corporation (IDCO), Roads & Buildings Department and East Coast Railway. The company has an outstanding order amounting to Rs 387.93 Cr. are expected to be completed in the next two-three years, thereby providing adequate revenue visibility in the medium term. The company has even received fresh orders worth Rs.78.00 Cr. in July, 2020.

All its projects are on the direct tendering basis and generally have a short gestation period. Moreover, the company has bid for projects worth around Rs.270.00 Cr., which is yet to be awarded. Going forward, though the COVID-19 lockdown in Q1FY21 may impact the overall revenues in FY21, Acuité believes that the company will continue to execute its orders and maintain its business risk profile over the medium term.

- **Comfortable financial risk profile**

The financial risk profile of the company is marked by modest net worth, comfortable gearing and healthy debt protection metrics. The net worth of the company stood at Rs. 28.72 Cr. as on 31 March, 2020 (Provisional) as against Rs.22.93 Cr. as on 31st March, 2019. The gearing (debt-equity) stood low at 0.49 times in FY2020 (Provisional) as against 0.56 times in FY2019. The total debt of Rs. 14.17 Cr. as on March 31, 2020 (Provisional) consists of short term borrowings of Rs.13.33 Cr and long term borrowings of Rs.0.84 Cr. Moreover, the interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood healthy at 4.79 times and 3.92 times in FY2020 (Provisional) as compared to 4.93 times and 3.89 times in FY2019 respectively. The NCA/TD stood at 0.43 times in FY2020. Acuité believes that the financial risk profile of the company will remain comfortable in the absence of any major debt-funded capex plans in the medium term.

Weaknesses

- **Working capital intensive operations**

The company's operations are working capital intensive marked by Gross Current Asset days of 186 days in FY2020 (Provisional) as against 128 days in FY2019. This is majorly on account of high receivable days which stood at 134 in FY2020 (Provisional) as against 87 days in FY2019. High receivable days in FY2020 (Provisional) is on account of disruption in operations in March end due to COVID-19. Inventory holding period stood at 12 days in FY2020 (Provisional) as against 3 days in FY2019. Further, the utilisation of cash credit limit stood at ~77 percent on an average in the twelve months ended Aug, 2020. Non-fund based limit remained utilised to the extent of 83 percent during the last twelve months ended Aug, 2020. Acuité believes that the company's ability to maintain its working capital efficiently will remain a key rating sensitivity.

- **Competitive and fragmented nature of industry coupled with tender based business**

The company is engaged as a civil contractor and the particular sector is marked by the presence of several mid to big size players. The company faces intense competition from the other players in the sectors. Risk becomes more pronounced as tendering is based on a minimum amount of bidding of contracts and hence the company has to make bid for such tenders on competitive prices; which may affect the profitability of the company. However, this risk is mitigated to an extent as the company is operating in this environment for the last thirteen years.

Rating Sensitivities

- Timely execution of orders and receipt from customers
- Growth in the scale of operations while maintaining operating profitability
- Sustenance of existing financial risk profile with healthy capital structure

Material Covenants

None

Liquidity: Adequate

The company's liquidity is adequate, marked by net cash accruals of Rs.6.05 crore in FY2020 against long term debt obligations of Rs.0.15 crore. The current ratio stood at 1.42 times as on March 31, 2020 (Provisional) and the non-fund based limit remains utilised at around 83 percent and cash credit limit at around 77 percent during the last twelve months ended Aug, 2020. The company has received enhancement in cash credit and non-fund based limit to the tune of Rs.6.00 Cr. in Nov, 2019. The company maintains unencumbered cash and bank balances of Rs.2.06 Cr. as on March 31, 2020 (Provisional). The company has not availed moratorium during Mar 2020 to Aug 2020 and has not applied for COVID loan. However, the company's operations are working capital intensive marked by Gross Current Asset days of 186 days in FY2020 (Provisional) as against 128 days in FY2019. Going forward, Acuité believes that the company's liquidity to remain adequate owing to the increased cash accruals over the medium term.

Outlook: Stable

Acuité believes the company's outlook will remain stable over the medium term on account of its experienced management and healthy order book position. 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, stretch in receivables or deterioration in the financial risk profile owing to higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	105.97	112.55
PAT	Rs. Cr.	5.78	5.24
PAT Margin	(%)	5.45	4.66
Total Debt/Tangible Net Worth	Times	0.49	0.56
PBDIT/Interest	Times	4.79	4.93

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

India Ratings, vide its press release dated July 10, 2020 had denoted the rating of B C BHUYAN CONSTRUCTION PRIVATE LIMITED as 'IND BB/A4+' (Downgraded and Issuer Not Cooperating)'.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
21-Aug-2019	Cash Credit	Long Term	14.00	ACUITE BBB/Stable (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE BBB/Stable (Assigned)
	Bank Guarantee	Short Term	20.00	ACUITE A3+ (Assigned)
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	17.00	ACUITE BBB/Stable (Reaffirmed)
Term Loan	June, 2018	10.50	May,2023	0.80	ACUITE BBB/Stable (Reaffirmed)
Working Capital Demand Loan	Not Applicable	Not Applicable	Not Applicable	1.70	ACUITE BBB/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	23.00	ACUITE A3+ (Reaffirmed)

Contacts

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About Acuité Ratings & Research:

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