

Press Release

B C Bhuyan Construction Private Limited

November 08, 2021

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 47.14 Cr. (Enhanced from Rs.42.50 Cr.)
Long Term Rating	ACUITE BBB/Stable (Reaffirmed)
Short Term Rating	ACUITE A3+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB' (read as ACUITE triple B)** and the short term rating of '**ACUITE A3+' (read as ACUITE A three plus)** to the Rs.47.14 Cr bank facilities of B C Bhuyan Construction Private Limited. The outlook is '**Stable**'.

The rating continues to reflect the extensive experience of the management and sound business risk profile of the company marked by modest scale of operation and steady profitability during the period. The rating also takes into account the comfortable financial risk profile and healthy order book position of the company. However, these strengths are partially offset by the working capital intensive nature of operation.

About the company

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 while arriving at the rating.

Key Rating Drivers:

Strengths

Established track record of operation and experienced management

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. Acuite believes that its long-established market presence and successful completion of the past contracts will help to secure fresh orders going forward.

Improving scale of operation coupled with steady profitability margin

The revenue of the company has improved to Rs.131.21 crore in FY2021 (Prov.) as compared to Rs.104.48 crore in the previous year. The company has booked sales of around Rs.82.73 crore till September 2021 (Prov.). The company also has a healthy unexecuted order book of Rs. 457.38 crore as on 31st July 2021. Acuite believes that the healthy and diversified order book of the company provides strong revenue visibility over the near term.

The operating profitability margin of the company has improved and stood comfortable at 8.97 per cent in FY2021 (Prov.) as compared to 8.46 per cent in FY2020. This improvement is on account of decrease in job work expenses during the period. The net profitability margin of the company also stood healthy at 5.39 per cent in FY2021 (Prov.) as compared to 4.54 per cent in the previous year. Acuite believes the profitability margin of the company will be sustained at healthy levels over the medium term backed by the management's focus on the bottom line and bid in projects accordingly.

Comfortable financial risk profile

The financial risk profile of the company is marked by modest net worth, low gearing and healthy debt protection metrics. The net worth of the company stood moderate at Rs.34.74 crore in FY 2021 (Prov.) as compared to Rs 27.68 crore in FY2020. This improvement in networth is mainly due to the retention of current year profit. The gearing of the company has stood low at 0.43 times as on March 31, 2021 (Prov.) when compared to 0.57 times as on March 31, 2020. This slight increase in gearing is on account of increase in short term debt utilization along with increase in long term debt during the period. Interest coverage ratio (ICR) stood at 4.69 times in FY2021 (Prov.) as against 3.53 times in FY 2020. The debt service coverage ratio (DSCR) of the company stood at 3.32 times in FY2021 (Prov.) as compared to 2.86 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.34 times in FY2021 (Prov.) and in the previous year respectively. Going forward, Acuite believes the financial risk profile of the company will remain healthy on account of steady net cash accruals and no major debt funded capex plan over the near term.

Weaknesses

Working capital intensive nature of operation

The working capital intensive nature of operation of the company is marked by high gross current asset (GCA) days of 162 days in FY2021 (Prov.) as compared to 183 days in the previous year. This high GCA days of the company is mainly emanates from the high other current asset of Rs.29.87 crore in FY21 (Prov.), which mainly consists of advance to parties, TDS receivables among others. The debtor days of the company has improved to 98 days in FY2021 (Prov.) as compared to 123 days in the previous year. The inventory holding period of the company stood low at 13 days in FY2021 (prov.) as compared to 09 days in the previous year. Acuite believes that the ability of the company to manage its working capital operations 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 Sensitivity

- Scaling up of operations while maintaining their profitability margin
- Timely execution of orders and receipt from customers
- Working capital management

Material Covenant

None

Liquidity Position: Adequate

The company has adequate liquidity marked by moderate net cash accruals of Rs.7.07 crore in FY2021 (Prov.) as against of Rs.5.28 crore in the previous year. The cash accruals of the company are estimated to remain in the range of around Rs. 8.49 crore to Rs. 10.89 crore during 2022-24 as against Rs.1.04 crore in FY2022 and in Rs.1.44 FY2023 of long term debt obligations. The current ratio of the company stood comfortable at 1.52 times in FY2021 (Prov.). The working capital management of the company is marked by high Gross Current Asset (GCA) days of 162 days in FY2021 (Prov.). The bank limit of the company has been ~100 per cent utilized during the last six months ended in September 2021. The company has availed COVID emergency fund of Rs.4.80 crore. The said loan is to be repaid over a period of 4 years including, 1 year of moratorium. Acuite also believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals against long debt repayments over the medium term.

Outlook: Stable

Acuite 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 (Standalone)

	Unit	FY21 (Prov.)	FY20 (Actual)
Operating Income	Rs. Cr.	131.21	104.48
PAT	Rs. Cr.	7.07	4.74
PAT Margin	(%)	5.39	4.54
Total Debt/Tangible Net Worth	Times	0.63	0.57
PBDIT/Interest	Times	4.69	3.53

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

None

Any other information

None

Applicable Criteria

- Default Recognition – <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Entities – <https://www.acuite.in/view-rating-criteria-51.htm>
- 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 (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings / Outlook
29-Sep-2020	Cash Credit	Long Term	17.00	ACUITE BBB/Stable (Reaffirmed)
	Term Loan	Long Term	0.80	ACUITE BBB/Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	1.70	ACUITE BBB/Stable (Assigned)
	Bank Guarantee	Short Term	23.00	ACUITE A3+ (Reaffirmed)
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	12.5	ACUITE BBB/Stable (Assigned)

*Annexure – Details of instruments rated

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Bank of India	Cash Credit	Not Applicable	Not Applicable	Not Applicable	17.00	ACUITE BBB/Stable (Reaffirmed)

Bank of India	Term Loan	Not Applicable	9.35%	Mar 2026	2.34	ACUITE BBB/Stable (Reaffirmed)
Bank of India	Working Capital Demand Loan	Not Applicable	Not Applicable	Not Applicable	4.80	ACUITE BBB/Stable (Reaffirmed)
Bank of India	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	23.00	ACUITE A3+ (Reaffirmed)

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About Acuité Ratings & Research

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