

Press Release

B C Bhuyan Construction Private Limited

December 06, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	24.14	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	14.00	-	ACUITE A3+ Assigned
Bank Loan Ratings	23.00	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	66.14	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed and assigned 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.66.14 Cr bank facilities of B C Bhuyan Construction Private Limited. The outlook is '**Stable**'.

Rationale for the rating

The rating continues to reflect the extensive experience of the management and stable business risk profile of the company marked by modest scale of operation and improving 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

Long track record of operation and experienced management-

The company has a long execution track record of over three decades in the civil construction business with established track record of projects related to building and bridges. The company was founded by Mr. B C Bhuyan and is currently managed by his son, Mr. Pradeep Kumar Bhuyan and Mr. Pramod Kumar Bhuyan. The promoter, Mr. Pradeep Kumar Bhuyan has been associated in civil construction for over a decade. The timely execution of the projects has helped the company in improving its market presence in Odisha. The company has completed more than 100 projects in Odisha over the past 5-7 years. Acuité believes its long established market presence and successful completion of the past contracts will help to secure fresh orders going forward.

Modest scale of operation coupled with improving profitability margin

The revenue of the company stood modest at Rs.200.18 crore in FY2022 (Prov.) as compared to Rs.123.83 crore in the previous year. This improvement in revenue is on account of increase in project execution during the period backed by steady order flow from the various departments. The company has booked Rs.122.29 crore of sales till October in current fiscal (Prov.). Acuité believes the revenue of the company will be increase going forward based on the healthy unexecuted order book in hand of Rs.765.77 crore as on 31st July 2022.

The operating profitability margin of the company has improved to 11.10 per cent in FY2022 (Prov.) as compared to 8.35 per cent in the previous year. This improvement in operating profitability is on account of decrease in job work expenses during the period. The operating profitability margin of the company has further improved to 13.07 per cent till 31st Oct 2022 (Prov.). Acuité believes that the profitability margin of the company will sustain at the same level backed by in-built price escalation clause that provides cushion for covering the increased input cost. This helps the company from any large variation in the raw material prices, thus protecting the operating margins to a certain extent.

The net profitability margin of the company has also improved to 7.16 per cent in FY2022 (Prov.) as compared to 4.89 per cent in FY2021. Acuité believes the profitability margin of the company will be sustained at healthy levels over the medium term on account of availability of adequate price escalation clause with the counter party.

Comfortable financial risk profile

The financial risk profile of the company is marked by moderate net worth, low gearing and healthy debt protection metrics. The net worth of the company stood moderate at Rs.48.06 crore in FY 2022 (Prov.) as compared to Rs. 33.73 crore in FY2021. This improvement in network is on account of retention of profit by the company during the period. The gearing of the company stood low at 0.49 times as on March 31, 2022 (Prov.) when compared to 0.66 times as on March 31, 2021. Interest coverage ratio (ICR) of the company stood strong at 8.53 times in FY2022 (Prov.) as against 4.44 times in FY 2021. The debt service coverage ratio (DSCR) of the company stood healthy at 3.58 times in FY2022 (Prov.) as compared to 3.15 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.64 times in FY2022 (Prov.) as compared to 0.29 times in FY2021. Going forward, Acuité believes the financial risk profile of the company will improve on account of increase in net cash accruals and no major debt funded capex plan over the near term.

Weaknesses

Working capital intensive nature of operation

The working capital management of the company is marked by high gross current asset (GCA) days of 176 days in FY2022 (Prov.) as compared to 208 days in FY2021. This high GCA day is mainly on account of the high debtor days of the company of 111 days in FY2022 (Prov.) as compared to 134 days in the previous year. However, this improvement in collection period

during FY2022 (Prov.), has helped the company to reduce their GCA days during the period. Moreover, the inventory days of the company stood comfortable at 03 days in FY2022 (Prov.) and 04 days in FY2021 respectively. Acuité 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 twelve years.

Rating Sensitivities

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

Material covenants

None

Liquidity Position

Adequate

The company has adequate liquidity position marked by comfortable net cash accruals of Rs.15.10 crore as against Rs.2.22 term debt obligations in FY2022 (Prov.). The cash accruals of the company are estimated to remain in the range of around Rs. 18.84 crore to Rs. 20.95 crore during 2023-24 as against of Rs.2.22 crore long term debt obligations during FY2023. The current ratio of the company stood comfortable at 1.45 times in FY2022 (Prov.). The Gross Current Asset (GCA) days of the company stood high at 176 days in FY2022 (Prov.). The bank limit of the company has been ~92 percent utilized during the last six months ended in September 2022. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals against the long debt repayments 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	200.18	123.83
PAT	Rs. Cr.	14.33	6.06
PAT Margin	(%)	7.16	4.89
Total Debt/Tangible Net Worth	Times	0.49	0.66
PBDIT/Interest	Times	8.53	4.44

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

India Ratings, vide its press release dated July 28, 2022 had denoted the rating of B C Bhuyan Construction Private Limited as 'IND BB/A4+; ISSUER NOT COOPERATING'

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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
08 Nov 2021	Working Capital Demand Loan	Long Term	4.80	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	2.34	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	17.00	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	23.00	ACUITE A3+ (Reaffirmed)
29 Sep 2020	Term Loan	Long Term	0.80	ACUITE BBB Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	1.70	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	17.00	ACUITE BBB Stable (Reaffirmed)
	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	12.50	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	23.00	ACUITE A3+ Reaffirmed
Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	14.00	ACUITE A3+ Assigned
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	17.00	ACUITE BBB Stable Reaffirmed
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB Stable Assigned
Bank of India	Not Applicable	Term Loan	Not available	9.35	Mar 31 2026 12:00AM	Simple	2.34	ACUITE BBB Stable Reaffirmed
Bank of India	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	Simple	4.80	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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