

## Press Release

**Bhilai Engineering Corporation Limited**

**December 30, 2022**



### Rating Downgraded and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	178.81	ACUITE B   Stable   Downgraded	-
Bank Loan Ratings	361.82	-	ACUITE A4   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	540.63	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	0.00	-	-

### Rating Rationale

Acuite has downgraded the long-term rating to **'ACUITE B' (read as ACUITE B)** from **'ACUITE B+' (read as ACUITE B plus)** and reaffirmed the short-term rating of **'ACUITE A4' (read as ACUITE A four)** on the Rs. 540.63 Cr bank facilities of Bhilai Engineering Corporation Limited (BECL). The outlook remains **'Stable'**.

#### Rationale for the rating

The rating downgrade is on account of consistent losses incurred by the company due to high operating expenses pertaining to rise in raw material costs and delays in the completion of projects. The rating also factors the stretched liquidity profile of the company marked by the working capital intensive nature of operations and the high utilisation of the fund based bank limits. However, Acuite considers the long standing operations of the company marked by the experienced management and the established clientele base.

#### About the Company

Incorporated in 1960, Bhilai Engineering Corporation Limited (BECL) is based in Bhilai (Chhattisgarh) and is headed by Mr. Veenu Jain, Mr. Arvind Kumar Jain, Mr. Ashish Jain, Mr. Surendra Kumar Jain, Mrs. Krishna Jain and Ms. Geetika Jain. The company has a diversified business and is engaged in engineering, procurement & construction (EPC), industrial equipment supplies, manufacturing fertilizers & agro-inputs and manufacturing of processed foods.

#### Analytical Approach

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

#### Key Rating Drivers

#### Strengths

- Experienced management and established relationship with customers

BECL has been operational for more than six decades. Since 1976, the promoters, Mr. A.K. Jain and Mr. Veenu Jain have been in the business of manufacturing specialized equipment's for the heavy engineering goods, fertilizers and food products. The extensive experience of the promoters and the long track record of operations has aided in establishing comfortable relationships with key suppliers and reputed customers across the country including large PSU's. Acuité believes the long experience of the management will continue to benefit the company going forward, resulting in further growth in the scale of operations.

## **Weaknesses**

- **Subdued performance in the 8M of FY2023**

The company has achieved revenues of Rs.429.00 Cr till November, 2022 (provisional). The subdued scale of operations is primarily on account of ceasing of exports by the company. However, the revenues of BECL increased to Rs.727.48 Cr in FY2022 as compared to Rs.648.54 Cr in FY2021 due to sustaining the continuous order flow from the reputed clientele over the same period. Acuité believes that, going forward, the capacity of the company to sustain their order pipeline and improve the scale of operations will be key monitorable.

- **Continuous losses coupled with decline in the operating margin**

The company has consistently incurred losses since the past three years due to disruptions in the operations. The primary reason for losses in FY2022 is the increase in the freight charges along with discounts & LD due to delay in the completion of project. Moreover, the rise in expenditure deteriorated the operating margin to 1.16 per cent in FY2022 as compared to 5.07 per cent in FY2021. Acuité believes that, going forward, the ability of the company to break the cycle of losses and achieve profits will be a key sensitivity factor.

- **Working capital intensive nature of operations**

The working capital intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 253 days as on March 31, 2022 as against 272 days as on March 31, 2021. The GCA days remained high on account of high debtor period which stood at 130 days as on March 31, 2022 as compared to 138 days as on 31st March 2021. The debtors are primarily high due to inherent nature of the business. Further, the inventory period stood high at 81 days as on 31st March, 2022 against 83 days in the previous year. In engineering division, the gestation period is fairly long starting from the manufacturing of the goods to commissioning of the project. The fertilizer subsidies are cleared only after audit and other formalities are completed by the Government authorities. Going forward, Acuité believes that the working capital management of the company will remain at similar levels as evident from the extended debtor and inventory level.

## **Rating Sensitivities**

- Improvement in the scale of operations
- Breaking the cycle of losses and achieving profits
- Elongation in the working capital cycle

## **Material covenants**

None

## **Liquidity position: Stretched**

The company's liquidity is stretched marked by accumulated losses. The working capital management is intensive in nature marked by Gross Current Assets (GCA) of 253 days as on March 31, 2022 as against 272 days as on March 31, 2021. The fund based limit remained fully utilised over the six months ended September, 2022. However, the cash and bank balances of the company stood at Rs.7.70 Cr as on March 31, 2022. The current ratio stood moderate at 1.46 times as on March 31, 2022. Acuité believes that going forward the liquidity position of the company will remain stretched on account of working capital intensive nature of operations and high utilisation of its fund based bank limits.

### Outlook: Stable

Acuité believes that the outlook on BECL will remain 'Stable' over the medium term on account of the experience of the promoters and established clientele base. The outlook may be revised to 'Positive' in case the company witnesses a material improvement in its profitability and financial risk profile thereby, reducing the stress on liquidity. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile or further elongation in its working capital cycle.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	727.48	648.54
PAT	Rs. Cr.	(26.23)	(9.66)
PAT Margin	(%)	(3.61)	(1.49)
Total Debt/Tangible Net Worth	Times	0.60	0.55
PBDIT/Interest	Times	0.31	1.05

### 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>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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, Acuité 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](http://www.acuite.in)

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
	Bank Guarantee	Short Term	216.00	ACUITE A4 (Reaffirmed)
	Working Capital Term Loan	Long Term	6.00	ACUITE B+   Stable (Assigned)
	Cash Credit	Long Term	35.02	ACUITE B+   Stable (Reaffirmed)
	Letter of Credit	Short Term	46.10	ACUITE A4 (Reaffirmed)
	Bank Guarantee	Short Term	4.35	ACUITE A4 (Reaffirmed)

01 Oct 2021	Bank Guarantee	Short Term	15.00	ACUITE A4 (Reaffirmed)
	Working Capital Term Loan	Long Term	2.38	ACUITE B+   Stable (Reaffirmed)
	Cash Credit	Long Term	34.65	ACUITE B+   Stable (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	38.50	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	32.00	ACUITE B+   Stable (Reaffirmed)
	Letter of Credit	Short Term	55.05	ACUITE A4 (Reaffirmed)
	Proposed Bank Facility	Long Term	0.35	ACUITE B+   Stable (Assigned)
	Working Capital Term Loan	Long Term	6.65	ACUITE B+   Stable (Assigned)
	Cash Credit	Long Term	10.88	ACUITE B+   Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	1.39	ACUITE B+   Stable (Reaffirmed)
	Bank Guarantee	Short Term	31.31	ACUITE A4 (Reaffirmed)
22 Sep 2021	Cash Credit	Long Term	34.65	ACUITE B+   Stable (Assigned)
	Letter of Credit	Short Term	38.50	ACUITE A4 (Assigned)
	Letter of Credit	Short Term	55.05	ACUITE A4 (Assigned)
	Letter of Credit	Short Term	46.10	ACUITE A4 (Assigned)
	Working Capital Term Loan	Long Term	1.39	ACUITE B+   Stable (Assigned)
	Cash Credit	Long Term	10.88	ACUITE B+   Stable (Assigned)
	Bank Guarantee	Short Term	4.35	ACUITE A4 (Assigned)
	Bank Guarantee	Short Term	31.31	ACUITE A4 (Assigned)
	Cash Credit	Long Term	35.02	ACUITE B+   Stable (Assigned)
		Short		
	Bank Guarantee	Term	216.00	ACUITE A4 (Assigned)
	Cash Credit	Long Term	32.00	ACUITE B+   Stable (Assigned)
	Working Capital Term Loan	Long Term	2.38	ACUITE B+   Stable (Assigned)
	Bank Guarantee	Short Term	15.00	ACUITE A4 (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A4 (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.86	ACUITE A4   Reaffirmed
Central Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	216.00	ACUITE A4   Reaffirmed
IDBI Bank Ltd.	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE A4   Reaffirmed
UCO Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	16.31	ACUITE A4   Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	35.02	ACUITE B   Stable   Downgraded ( from ACUITE B+ )
Central Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	46.00	ACUITE B   Stable   Downgraded ( from ACUITE B+ )
IDBI Bank Ltd.	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	34.65	ACUITE B   Stable   Downgraded ( from ACUITE B+ )
UCO Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.88	ACUITE B   Stable   Downgraded ( from ACUITE B+ )
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	38.50	ACUITE A4   Reaffirmed
Central Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	32.10	ACUITE A4   Reaffirmed
UCO Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	55.05	ACUITE A4   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	44.87	ACUITE B   Stable   Downgraded ( from ACUITE B+ )
UCO Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	1.39	ACUITE B   Stable   Downgraded ( from ACUITE B+ )
IDBI Bank Ltd.	Not Applicable	Working Capital	Not available	Not available	Not available	Simple	6.00	ACUITE B   Stable   Downgraded

		Term Loan					( from ACUITE B+ )
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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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