



Press Release
BHILAI ENGINEERING CORPORATION LIMITED
March 20, 2024

Rating Downgraded and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	126.77	ACUITE D Downgraded	-
Bank Loan Ratings	44.88	Not Applicable Withdrawn	-
Bank Loan Ratings	368.98	-	ACUITE D Downgraded
Total Outstanding Quantum (Rs. Cr)	495.75	-	-
Total Withdrawn Quantum (Rs. Cr)	44.88	-	-

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE D' (read as ACUITE D)** from '**ACUITE B' (read as ACUITE B)** on the Rs.126.77 Cr. and the short term rating to '**ACUITE D' (read as ACUITE D)** from '**ACUITE A4' (read as ACUITE A four)** on the Rs. 368.98 Cr. bank facilities of Bhilai Engineering Corporation Limited (BECL). It has further withdrawn the proposed long-term limit without assigning any rating on the Rs. 44.88 Cr. bank facilities of Bhilai Engineering Corporation Limited (BECL) based on a written request from company. The withdrawal is in accordance with Acuite's policy on withdrawal of ratings.

Rationale for Downgrade

The rating downgrade is on account of the severe liquidity constraints in the operations of the Company leading to delays in servicing debt repayments in a timely manner by BECL, concurrent devolvement in Letter of Credit and an overdue account for more than 30 days . 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 relationship with customers.

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 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.

Unsupported Rating

Not Applicable

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. Acuite 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

Delays in servicing term debt obligations and overdues in Letter of Credit devolvement payments

Due to the severe liquidity constraints leading to mis-matches in the cash flows of the Company, , there has been delays in servicing debt repayments in a timely manner by BECL.

Working Capital Intensive nature of operations

The working capital management of the company remained intensive marked by high Gross Current Assets (GCA) of 297 days for FY2023 as compared to 253 days as on FY2022. The debtor period stood at 128 days for FY2023 as against 130 days of FY2022. Further, the inventory holding stood at 114 days for FY2023 as against 81 days for FY2022. The payment cycle varies from 30-50 days. Acuite believes that the working capital cycle of the Company would continue to remain intensive due to nature of its business especially the fertiliser division.

Decline in the operating margin alongwith operating losses in FY2023

The company has consistently witnessed decline in operating margins since the past three years and an operating loss in FY2023. The primary reason for losses in FY2023 was delays in project division and losses incurred in the same. Moreover, the rise in expenditure led to operating losses of 2.82 per cent in FY2023 as compared to 1.16 per cent in FY2022. Acuite believes that, going forward, the ability of the company to break the cycle of losses and achieve profits will be a key sensitivity factor.

Rating Sensitivities

- Timely servicing of term debt obligations

Liquidity Position Stretched

The liquidity position of the company is stretched marked by full utilisation of its working capital limits owing to working capital intensive nature of operations. The average working capital utilisation of its limits remained at ~99.18 % in last six months ended Dec 2023. The company reported net cash accruals of Rs. (33.91) Cr in FY2023. There has been delays in servicing of debt obligations of bank due to stretches in liquidity during the current year. The current ratio stood at 1.47 times in FY23. The cash and bank balances stood at 0.78 in FY23.

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	650.82	727.48
PAT	Rs. Cr.	(42.70)	(26.23)
PAT Margin	(%)	(6.56)	(3.61)
Total Debt/Tangible Net Worth	Times	0.70	0.60
PBDIT/Interest	Times	(0.33)	0.31

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

Not Applicable

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, 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
30 Dec 2022	Bank Guarantee (BLR)	Short Term	0.86	ACUITE A4 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	216.00	ACUITE A4 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	3.00	ACUITE A4 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	16.31	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	35.02	ACUITE B Stable (Downgraded from ACUITE B+ Stable)
	Cash Credit	Long Term	46.00	ACUITE B Stable (Downgraded from ACUITE B+ Stable)
	Cash Credit	Long Term	34.65	ACUITE B Stable (Downgraded from ACUITE B+ Stable)
	Cash Credit	Long Term	10.88	ACUITE B Stable (Downgraded from ACUITE B+ Stable)
	Letter of Credit	Short Term	38.50	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	32.10	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	55.05	ACUITE A4 (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	44.87	ACUITE B Stable (Downgraded from ACUITE B+ Stable)
	Working Capital Term Loan	Long Term	1.39	ACUITE B Stable (Downgraded from ACUITE B+ Stable)
	Working Capital Term Loan	Long Term	6.00	ACUITE B Stable (Downgraded from ACUITE B+ Stable)
01 Oct 2021	Bank Guarantee/Letter of Guarantee	Short Term	31.31	ACUITE A4 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	4.35	ACUITE A4 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	216.00	ACUITE A4 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	15.00	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	10.88	ACUITE B+ Stable (Reaffirmed)
	Cash Credit	Long Term	34.65	ACUITE B+ Stable (Reaffirmed)
	Cash Credit	Long Term	32.00	ACUITE B+ Stable (Reaffirmed)
	Cash Credit	Long Term	35.02	ACUITE B+ Stable (Reaffirmed)
	Letter of Credit	Short Term	55.05	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	46.10	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	38.50	ACUITE A4 (Reaffirmed)
	Proposed Long Term Bank	Long		

	Facility	Term	0.35	ACUITE B+ Stable (Assigned)
	Working Capital Term Loan	Long Term	6.65	ACUITE B+ Stable (Assigned)
	Working Capital Term Loan	Long Term	6.00	ACUITE B+ Stable (Assigned)
	Working Capital Term Loan	Long Term	2.38	ACUITE B+ Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	1.39	ACUITE B+ Stable (Reaffirmed)
22 Sep 2021	Bank Guarantee/Letter of Guarantee	Short Term	31.31	ACUITE A4 (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	4.35	ACUITE A4 (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	216.00	ACUITE A4 (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	15.00	ACUITE A4 (Assigned)
	Cash Credit	Long Term	34.65	ACUITE B+ Stable (Assigned)
	Cash Credit	Long Term	32.00	ACUITE B+ Stable (Assigned)
	Cash Credit	Long Term	35.02	ACUITE B+ Stable (Assigned)
	Cash Credit	Long Term	10.88	ACUITE B+ Stable (Assigned)
	Working Capital Term Loan	Long Term	2.38	ACUITE B+ Stable (Assigned)
	Working Capital Term Loan	Long Term	1.39	ACUITE B+ Stable (Assigned)
	Letter of Credit	Short Term	55.05	ACUITE A4 (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A4 (Assigned)
	Letter of Credit	Short Term	46.10	ACUITE A4 (Assigned)
	Letter of Credit	Short Term	38.50	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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.86	ACUITE D Downgraded (from ACUITE A4)
Central Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	216.00	ACUITE D Downgraded (from ACUITE A4)
UCO Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	16.31	ACUITE D Downgraded (from ACUITE A4)
IDBI Bank Ltd.	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.26	ACUITE D Downgraded (from ACUITE A4)
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	35.02	ACUITE D Downgraded (from ACUITE B)
Central Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	46.10	ACUITE D Downgraded (from ACUITE B)
IDBI Bank Ltd.	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE D Downgraded (from ACUITE B)
UCO Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.88	ACUITE D Downgraded (from ACUITE B)
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	02 Mar 2021	Not avl. / Not appl.	15 Jul 2026	Simple	5.11	ACUITE D Downgraded (from ACUITE B)
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	38.50	ACUITE D Downgraded (from ACUITE A4)
Central Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	32.00	ACUITE D Downgraded (from ACUITE A4)
UCO Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	55.05	ACUITE D Downgraded (from ACUITE A4)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	44.88	Not Applicable Withdrawn

UCO Bank	Not avl. / Not appl.	Working Capital Term Loan	16 Feb 2021	Not avl. / Not appl.	16 Jan 2026	Simple	1.39	ACUITE D Downgraded (from ACUITE B)
IDBI Bank Ltd.	Not avl. / Not appl.	Working Capital Term Loan	24 Mar 2021	Not avl. / Not appl.	24 Feb 2026	Simple	3.27	ACUITE D Downgraded (from ACUITE B)

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About Acuité Ratings & Research

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