

Rating Advisory

October 06, 2022 | Mumbai

Bharat Construction Company (Bombay)

Update as on October 06, 2022

This rating advisory is provided in relation to the rating of Bharat Construction Company (Bombay)

The key rating sensitivity factors for the rating include:

Upward Factors:

- Significant revenue growth along with sustenance of operating margin at 9-10%
- Improvement in working capital cycle driven by faster realization of receivables

Downward Factors:

- Significant decline in revenue or an operating margin below 6% leading to lower than expected net cash accruals
- Further stretch in receivables thus leading to GCAs over 350 days

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL Ratings is yet to receive adequate information from Bharat Construction Company (Bombay) (BCC) to enable it to undertake a rating review. CRISIL Ratings is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL Ratings views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings' criteria available at the following link, https://www.crisil.com/content/dam/crisil/criteria_methodology/basics-of-ratings/assessing-information-adequacy-risk.pdf)

If BCC continues to delay the provisioning of information required by CRISIL Ratings to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016, SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 and **SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt January 3, 2020** issued by Securities and Exchange Board of India, CRISIL Ratings will carry out the review based on best available information and issue a press release.

About the Firm

BCC, based in Mumbai, was established in 1972 and is a proprietorship firm of Mr Surinderpal Singh Suri. It undertakes civil construction work, primarily for concrete roads, asphalt roads, and bitumen roads, and execution of infrastructure projects. It also undertakes supply of construction materials such as Ready Mix Concrete, asphalt, aggregates.

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Rating Rationale

July 22, 2021 | Mumbai

Bharat Construction Company (Bombay)

Ratings Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.19 Crore
Long Term Rating	CRISIL BB/Stable (Reaffirmed)
Short Term Rating	CRISIL A4+ (Reaffirmed)

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its ratings on the bank facilities of Bharat Construction Company (Bombay) (BCC) at 'CRISIL BB/Stable/CRISIL A4+'.

The ratings continue to reflect the extensive experience of the proprietor in civil construction business, and an above-average financial risk profile. These strengths are partially offset by modest scale of operations in an intensely competitive industry, and large working capital requirements.

Key Rating Drivers & Detailed Description

Strengths:

- Extensive experience of proprietor in civil construction business:** Proprietor's extensive experience of over three decades in civil construction industry has enabled to develop strong relationships with customers and suppliers, and helped the firm successfully bid for tenders. Over his tenure, the proprietor has developed sound understanding of the local market dynamics.
- Above-average financial risk profile:** BCC has an above-average financial risk profile as reflected in a comfortable networth, low gearing and low total outside liabilities to tangible networth ratio estimated at Rs 25.3 crore, 0.61 time and 0.82 time, respectively as on March 31, 2021. Supported by moderated operating profitability, the debt-protection metrics are moderate, with interest coverage and net cash accruals to adjusted debt ratios estimated at 2.5 times and 0.08 time, respectively in Fiscal 2021.

Weaknesses:

- Modest scale of operations:** With an operating income estimated at around Rs 33.7 crore in fiscal 2021, the scale of operations remains modest. The civil construction industry is fragmented, resulting in intense competition. Revenue depends on the ability to successfully bid for tenders, as a large proportion of the business is tender-based. Operating income was also impacted on account of lockdown restrictions and disruptions due to Covid-19 pandemic.
- Large working capital requirements:** Firm has working capital intensive nature of operations, with gross current assets (GCAs) estimated at 350 days as on March 31, 2021, driven by large receivables of 140 days, moderate inventory of 30 days, and large deposits and retention money. The same is supported by creditors and bank lines.

Liquidity: Stretched

Firm is expected to generate net cash accruals of Rs 1.25-1.35 crore per fiscal which will be sufficient against repayments of Rs 0.95-1.00 crore per fiscal. There is high utilization in the bank lines and the same averaged at 93% over the 12 months ended Jun-2021. Cash & bank balance is estimated at around Rs 4.03 crore as on 31st March 2021 - of this Rs 2 crore is encumbered FD (for BG), Rs 0.5 crore of free FDs and around Rs 1.5 crore of free cash & bank balance. Company did not avail any covid-support loans.

Outlook: Stable

CRISIL Ratings believes BCC will continue to benefit over the medium term from its proprietor's extensive industry experience.

Rating Sensitivity Factors

Upward Factors:

- Significant revenue growth along with sustenance of operating margin at 9-10%
- Improvement in working capital cycle driven by faster realization of receivables

Downward Factors:

- Significant decline in revenue or an operating margin below 6% leading to lower than expected net cash accruals
- Further stretch in receivables thus leading to GCAs over 350 days

About the Firm

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Key Financial Indicators

Particulars	Units	2020	2019
Revenue	Rs.Crore	52.46	76.44
Profit After Tax (PAT)	Rs.Crore	0.80	1.27
PAT Margin	%	1.5	1.7
Adjusted debt/adjusted networkth	Times	0.63	0.58
Interest coverage	Times	2.6	3.6

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Cr)	Complexity Level	Rating assigned with outlook
NA	Bank Guarantee	NA	NA	NA	8.0	NA	CRISIL A4+
NA	Overdraft Facility	NA	NA	NA	6.0	NA	CRISIL BB/Stable
NA	Proposed Fund-based Bank limits	NA	NA	NA	5.0	NA	CRISIL BB/Stable

Annexure - Rating History for last 3 Years

		Current		2021 (History)		2020		2019		2018		Start of 2018
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	11.0	CRISIL BB/Stable		--	21-07-20	CRISIL BB/Stable	25-04-19	CRISIL BB/Stable		--	CRISIL BB-/Stable
			--		--		--	30-03-19	CRISIL BB-/Stable(Issuer Not Cooperating)*		--	--
Non-Fund Based Facilities	ST	8.0	CRISIL A4+		--	21-07-20	CRISIL A4+	25-04-19	CRISIL A4+		--	CRISIL A4+
			--		--		--	30-03-19	CRISIL A4+(Issuer Not Cooperating)*		--	--

All amounts are in Rs.Cr.

* - Issuer did not cooperate; based on best-available information

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	8	CRISIL A4+	Bank Guarantee	8	CRISIL A4+
Overdraft Facility	6	CRISIL BB/Stable	Overdraft Facility	6	CRISIL BB/Stable
Proposed Fund-Based Bank Limits	5	CRISIL BB/Stable	Proposed Fund-Based Bank Limits	5	CRISIL BB/Stable
Total	19	-	Total	19	-

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating Criteria for Construction Industry
CRISILs Criteria for rating short term debt
The Rating Process
CRISILs Bank Loan Ratings

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