



## Press Release

### BEC Infra Private Limited

August 10, 2023

#### Ratings

Facility	Amount (Rs. Crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long-Term Bank Facilities (Including proposed Rs.2.00 crore)	5.00	IVR BB-; Stable (IVR Double B Minus with Stable Outlook)	Reaffirmed	Simple
Short-Term Bank Facilities (Including proposed Rs.8.00 crore)	15.00	IVR A4 (IVR A Four)	Reaffirmed	Simple
<b>Total</b>	<b>20.00</b> <b>(Rs. Twenty crore only)</b>			

**Details of Facilities are in Annexure 1**

#### Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of BEC Infra Private Limited (BECIPL) continues to derive comfort from its long track record of operation under experienced promoters, satisfactory order book giving revenue visibility in near to medium term and its comfortable capital structure with healthy debt protection metrics. These rating strengths continues to remain constrained due to its small scale of operation coupled with thin profitability, exposure to geographical as well as client concentration risk, susceptibility of its profitability to volatile input prices, significant exposure in group companies and tender driven nature of the business with intense competition in the industry.

#### Key Rating Sensitivities:

##### Upward factors

- Growth in scale of operations with improvement in profitability on a sustained basis.
- Increase in geographical diversification
- Sustenance of the capital structure with improvement in debt protection metrics
- Steady flow of order & timely execution of the same and diversification in client and regional presence.

##### Downward Factors

- Moderation in scale of operations and/or profitability impacting the liquidity profile on a sustained basis.
- Any unplanned capex and increase in exposure in group companies leading to moderation in the capital structure with moderation in the overall gearing to over 3x.



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### **List of Key Rating Drivers with Detailed Description Key Rating Strengths**

#### **Experienced promoters and long track record of the company**

The promoters of BEC are highly experienced with more than two decades of experience in the related industry. Furthermore, the company has started its business from 2001, thus having over two decades of operational track record.

#### **Satisfactory orderbook position**

As on June 30, 2023, BECIPL has an unexecuted order book of ~Rs.77 crore which is 7.26 times of its FY23 (Prov.) revenue of Rs.10.60 crore. The orders are expected to be executed in next 2 years indicating a satisfactory near to medium term revenue visibility.

#### **Comfortable capital structure**

The capital structure of the BECIPL has remained comfortable over the past three fiscals with low reliance on external debts. Further, the company remained debt free as on March 31, 2023 as the company does not have external borrowings except unsubordinated unsecured loan from related parties. However, in the present fiscal, BECIPL has availed nominal cash credit facility to manage its working capital requirement going forward.

#### **Key Rating Weaknesses:**

#### **Small Scale of operation and thin profitability**

The scale of operations of the company remained small over the past three fiscals. BECIPL's total operating income marginally improved in FY23 Prov. and stood at Rs.10.60 crore against Rs.8.84 crore in FY22. The marginal improvement is backed by better execution of erection work. As per FY23 provisional, the EBITDA margin declined to 5.54% from 5.98% in FY22 due to increase in employee as well as other operating expenses vis-à-vis Total operating income. Despite the decline in the EBITDA margin, PAT margin improved to 3.98% in FY23 provisional against 2.67% in FY22. Absolute EBITDA and GCA stood moderate at Rs.0.59 crore and Rs.0.84 crore in FY23 prov.

#### **Geographical as well as client concentration risk**

The business operation of the company is majorly skewed with in Chhattisgarh indicating a geographical concentration risk. In addition, the entire order book of BECIPL is restricted between NMDC and one of its Dubai based group company BEC Infra LLC, which is also the major revenue generator attributing ~76% of total sales suggest high client concentration of risk.



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### **Susceptibility of operating margin to volatile input prices**

Major raw materials used in civil construction activities are steel & cement and in road construction activities are stone, asphalt/bitumen and sand which are usually sourced from large players/dealers at proximate distances. The raw material & labor cost forms the majority chunk of the total cost of sales for the last three years. As the raw material prices & labor cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labor cost.

### **Significant exposure in group companies**

BECIPL has substantial exposure in the form of loans & advances, investment in its group and associates' companies of around Rs.27.19 crore as on March 31, 2023.

### **Tender based nature of business with intense competition in the industry**

The domestic construction sector is highly crowded with presence of many players with varied statures and capabilities. Further, BECIPL receives work orders through tenders amidst intense price war. Profit margins of the company is under pressure because of this highly competitive nature of industry. However, promoters' long industry exposure imparts comfort.

**Analytical Approach:** Standalone

### **Applicable Criteria:**

[Rating Methodology for Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

### **Liquidity: Adequate**

The liquidity profile of BECIPL is expected to remain adequate marked by its expected satisfactory cash accrual ~Rs.1.81 crore to Rs.3.61 crore during FY24-26 vis a-vis its nil debt repayment obligations during the period. Further, on the back of its comfortable capital structure, the company has adequate gearing headroom.

### **About the Company**

Incorporated in 2001, Chhattisgarh based BEC Infra Private Limited (BECIPL) is promoted by Mr. Arvind Kumar Jain. The company is engaged in contract-based construction, Mechanical & Electrical Erection, civil work for both Government bodies and private entities. BECIPL primarily has presence in Chhattisgarh. This, apart, BECIPL is also engaged in trading of steel products. The operations of the company are looked after by Mr. Arvind



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Kumar Jain (Director) having an experience of more than three decades in the construction sector. The other director of the company Mr. Ashish Jain looks after the day-to-day operations of the company and responsible for exploration and introduction of new businesses and projects for the company. The directors are supported by a team of experienced and qualified professionals.

### Financials of BECIPL (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	8.84	10.60
EBITDA	0.53	0.49
PAT	0.25	0.34
Total Debt	9.78	4.68
Tangible Net worth	43.18	43.70
Adjusted Tangible Net worth	25.62	21.19
EBITDA Margin (%)	5.98	4.61
PAT Margin (%)	2.67	3.09
Overall Gearing Ratio (x)	0.23	0.11
Interest Coverage Ratio (x)	5.02	4.98

\*Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil

### Rating History for last three years: (Rs. Crore)

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2022-23 (June 20, 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Cash Credit	Long Term	3.00	IVR BB-; Stable	-	-	-
2.	Bank Guarantee	Short Term	7.00	IVR A4	-	-	-
3.	Cash Credit (Proposed)	Long Term	2.00	IVR BB-; Stable	IVR BB-; Stable	-	-
4.	Bank Guarantee (Proposed)	Short Term	8.00	IVR A4	IVR A4	-	-



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### About Infomerics Ratings:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary. For more information visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Cr)	Rating Assigned/ Outlook
Long Term Fund Based Limits – Cash Credit	-	-	-	3.00	IVR BB-; Stable
Short Term Non-Fund Based Limits – BG	-	-	-	7.00	IVR A4
Long Term Fund Based Limits – Cash Credit (Proposed)	-	-	-	2.00	IVR BB-; Stable
Short Term Non-Fund Based Limits – BG (Proposed)	-	-	-	8.00	IVR A4

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-BEC-aug23.pdf>

**Annexure 3: List of companies considered for consolidated analysis:** Not Applicable

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:** Not Applicable

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com)