



Press Release

BEC Infra Private Limited

September 12, 2024

Ratings

Security / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	10.00 (enhanced from 5.00)	IVR BB-; Stable (IVR Double B Minus with Stable Outlook)	IVR BB-; Stable (IVR Double B Minus with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities	10.00 (reduced from 15.00)	IVR A4 (IVR A Four)	IVR A4 (IVR A Four)	Reaffirmed	Simple
Total	20.00 (Rupees twenty crore only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

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 orderbook giving revenue visibility in near to medium term and comfortable capital structure with satisfactory debt protection metrics. Further, the ratings also consider improvement in profit margins of the company. However, these rating strengths remain constrained due to small scale of its operation, significant exposure to group companies, exposure to geographical as well as client concentration risk, susceptibility of operating margin to volatile input prices and tender based nature of business with intense competition in the industry. The stable outlook reflects expected stable business performance of the company underpinned by experience of the promoters in the industry and satisfactory order book position with reputed clientele giving revenue visibility.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of operations with improvement in profitability on a sustained basis
- 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



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- Reduction in group company exposure

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.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters and long track record of the company

The promoters of BECIPL 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 July 31, 2024, BECIPL has an unexecuted order book of Rs.89.44 crore, which is ~4.86x of its FY24 (Prov.) (FY refers to the period from April 01 to March 31) revenue. All the orders are executable in upcoming next 12-15 months hence provides healthy revenue visibility over short to medium term.

Improvement in profit margins

The EBITDA margin has improved from 6.91% in FY23 to 12.65% in FY24 (prov.) mainly due to higher absorption of fixed overheads attributable to increase in number of contract execution coupled with execution of few relatively high margin contracts. Aided by improvement in EBITDA coupled with decline in depreciation charges, the PAT margin also improved from 0.85% in FY23 to 5.72% in FY24 (Prov.).

Comfortable capital structure and debt protection metrics

The capital structure of BECIPL has remained comfortable over the past three years with low reliance on external debts. Further, as on March 31, 2023, the company had no external borrowings except unsecured loans from related parties amounting to Rs.4.49 crore. BECIPL has investment in its group and associates' companies of around Rs. 16.04 crore as on March 31, 2024 (prov.). The adjusted tangible net worth (ATNW) of the company excluding



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investment in group companies stood at Rs. 28.74 crore as on March 31, 2024 (Prov.). The overall gearing though moderated but remained comfortable at 0.34x as on March 31, 2024 (Prov.) (0.16x as on March 31, 2023). The moderation is due to a rise in debt levels as on March 31, 2024 (Prov.). The debt protection metrices marked by interest coverage has deteriorated but remains comfortable at 3.07x in FY24 (Prov.) (7.45x in FY23). Despite a rise in absolute EBITDA, the interest coverage has moderated due to a rise in interest and finance charges since the company had availed a fresh term loan and working capital limit during the year.

Key Rating Weaknesses

Small scale of operation

The scale of operations of the company though improved remained small over the past three fiscals. BECIPL's total operating income improved to Rs.18.42 crore in FY24 (Prov.) from Rs.10.60 crore in FY23 registering a Y-o-Y growth of ~74%. The improvement is backed by export sales of machineries and equipment to the tune of ~Rs.9 crores in FY24 (Prov.). Small scale of operation restricts economies of scale of the entity. Further, the intense competition in the operating scenario restricts its pricing flexibility and exerts pressure on margins. In 4MFY25, the company has achieved a revenue of Rs. 6.51 crore.

Significant exposure to group companies

BECIPL has substantial exposure in the form of loans & advances, investment in its group and associates' companies of around Rs.68.43 crore as on March 31, 2024 (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, Bhilai Steel Plant and one of its Dubai based group company BEC Infra LLC. NMDC and BEC Infra LLC are the major revenue generator attributing ~80% of total sales suggest high client concentration of risk.

Susceptibility of operating margin to volatile input prices

Major raw materials used in civil construction activities are steel & cement, stone, asphalt/bitumen and sand which are usually sourced from large players/dealers at proximate distances. The raw material & labour cost forms the majority chunk of the total cost of sales



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for the last three years. As the raw material prices & labour cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour cost.

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 statutes 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](#)

[Criteria of assigning Rating Outlook](#)

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

[Policy on Default Recognition](#)

[Criteria on complexity](#)

Liquidity – Adequate

The liquidity profile of BECIPL is expected to remain adequate marked by its expected satisfactory cash accrual in the range of ~Rs.1.63 crore - Rs.3.80 crore during FY25 - FY27 vis a-vis its debt repayment obligations in the range of ~Rs. 0.08 crore – Rs. 0.82 crore during the period. Further, on the back of its comfortable capital structure, the company has adequate gearing headroom, and the average working capital utilisation also remains moderate at ~80% for past 12 months ended July 2024.

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 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



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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 (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	10.60	18.42
EBITDA	0.73	2.33
PAT	0.09	1.05
Total Debt	4.49	9.71
Tangible Net Worth	43.72	44.78
Adjusted Tangible Net Worth	27.68	28.74
EBITDA Margin (%)	6.91	12.65
PAT Margin (%)	0.85	5.72
Overall Gearing Ratio (x)	0.10	0.22
Adjusted Overall Gearing Ratio (x)	0.16	0.34
Interest Coverage (x)	7.45	3.07

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Aug 10, 2023	Jun 20, 2022	-
1.	Term Loan	Long Term	7.00	IVR BB-; Stable	-	-	-
2.	Cash Credit	Long Term	3.00	IVR BB-; Stable	IVR BB-; Stable	IVR BB-; Stable	-
3.	Bank Guarantee	Short Term	7.00	IVR A4	IVR A4	IVR A4	-
4.	Proposed non-fund Based	Short Term	3.00	IVR A4	IVR A4	IVR A4	-

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About Infomerics:

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.

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Annexure 1: Instrument/Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	FY31	7.00	IVR BB-; Stable
Cash Credit	-	-	-	-	3.00	IVR BB-; Stable
Bank Guarantee	-	-	-	-	7.00	IVR A4
Proposed non-fund based	-	-	-	-	3.00	IVR A4



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Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-BEC-Infra-sep24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.

