



Press Release

BEC Infra Private Limited

June 20, 2022

Ratings

| Facility | Amount (Rs. Crore) | Ratings | Rating Action | Complexity Indicator |
|--|--|--|------------------|--|
| Long-Term Bank Facilities (Proposed) | 5.00 | IVR BB-; Stable (IVR Double B Minus with Stable Outlook) | Assigned | Simple |
| Short-Term Bank Facilities (Proposed) | 15.00 | IVR A4 (IVR A Four) | Assigned | Simple |
| Total | 20.00 (Rs. Twenty crore only) | | | |

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of BEC Infra Private Limited (BECIPL) derives comfort from its long track record of operation under experienced promoters, satisfactory order book giving visibility to revenue in the near to medium term and its comfortable capital structure with healthy debt coverage indicators. These rating strengths are partially offset by small scale of operation and thin profitability, exposure to geographical and client concentration risk, susceptibility of its profitability to volatile input prices, exposure to other companies and tender driven nature of the business with intense competition in the industry.

Key Rating Sensitivities:

Upward factors

- Growth in scale of operations on a sustained basis and consequent improvement in profitability
- Increase in geographical diversification
- Sustenance of the capital structure with improvement in debt protection metrics
- Improvement in working capital management leading to improvement in liquidity

Downward Factors

- Moderation in scale of operations and/or profitability impacting the liquidity profile on a sustained basis.
- Withdrawal or repayment of subordinated unsecured loan of Rs.9.33 crore and or debt laden capex 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 around 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 May 31, 2022, BECIPL has an unexecuted order book of about Rs.31.00 crore to be executed in next 1-2 years i.e., 2.95 times of its FY22 (Prov.) total operating income of Rs.10.51 crore. The orders are expected to be completed within next one-two 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, 2022 as the company does not have term loan except subordinated unsecured loan from related parties. The promoters have infused subordinated unsecured loans aggregating to Rs.9.33 crore during FY22 to support the business operations.

Key Rating Weaknesses:

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

The scale of operations of the company remained small and erratic over the past three fiscals. BECIPL's total operating income has declined gradually over the past couple of years from Rs. 11.93 crore in FY20 to Rs.7.78 crore in FY21 due to lack of work order, slowdown in the execution of existing contracts due to labor shortage resulting from the sudden outbreak of COVID 19 pandemic in March 2020 and consequent lockdowns thereafter. During FY22 (provisional), the total operating income has improved by ~35% and the topline stood at Rs.10.51 crore driven by fresh inflow of orders and execution of the same. Small scale of operations in a highly competitive industry restricts the financial flexibility of the company to an extent. The company has incurred operating loss, net loss as well as cash loss in FY20 and in FY21 due to its weak operational performance. However, the company has turned profitable in FY22 with improvement in the operating scenario and earned a cash profit of Rs.0.97 crore with a PAT of Rs.0.50 crore. The EBITDA margin and the PAT margin stood at 5.96% and 4.60% respectively in FY22 (Prov.).



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- **Exposure to geographical and client concentration risk**

The present order book is majorly skewed in Odisha, and Chhattisgarh indicating a geographical concentration risk. In addition, the entire order book of BECIPL is restricted between NMDC and Towell Engineering International LLP, of which NMDC is the major revenue generator attributing around 85% 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 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.

- **Exposure to other companies**

BECIPL has substantial exposure in the form of loans & advances, investment in its group and associates companies of around Rs.33.87 crore as on March 31, 2022.

- **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 \(Non-Financial Sector\)](#)

Liquidity: Adequate

The liquidity profile of BECIPL is expected to remain adequate marked by its expected satisfactory cash accrual ~Rs.1.47 crore to Rs.3.27 crore during FY23-25 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.



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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 Odisha and 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 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) | |
|-----------------------------|-------------|-------------|
| | 31-03-2021 | 31-03-2022 |
| | Audited | Provisional |
| Total Operating Income | 7.78 | 10.51 |
| EBITDA | -2.02 | 0.63 |
| PAT | -2.15 | 0.50 |
| Total Debt | 14.49 | 0.00 |
| Tangible Net worth | 42.71 | 43.21 |
| Adjusted Tangible Net worth | 21.87 | 18.68 |
| EBITDA Margin (%) | -25.97 | 5.96 |
| PAT Margin (%) | -26.42 | 4.60 |
| Overall Gearing Ratio (x) | 0.07 | 0.00 |
| Interest Coverage Ratio (x) | -Ve | 5.95 |

*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 2022-23) | | | Rating History for the past 3 years | | |
|---------|-------------------------------|-------------------------------|------------------------------|--------|---|---|---|
| | | Type | Amount outstanding (Rs. Cr.) | Rating | Date(s) & Rating(s) assigned in 2021-22 | Date(s) & Rating(s) assigned in 2020-21 | Date(s) & Rating(s) assigned in 2019-20 |



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| Sr. No. | Name of Instrument/Facilities | Current Rating (Year 2022-23) | | | Rating History for the past 3 years | | |
|---------|-------------------------------|-------------------------------|------------------------------|-----------------|---|---|---|
| | | Type | Amount outstanding (Rs. Cr.) | Rating | Date(s) & Rating(s) assigned in 2021-22 | Date(s) & Rating(s) assigned in 2020-21 | Date(s) & Rating(s) assigned in 2019-20 |
| 3. | Cash Credit (Proposed) | Long Term | 5.00 | IVR BB-; Stable | - | - | - |
| 4. | LC/BG (Proposed) | Short Term | 15.00 | IVR A4 | - | - | - |

Name and Contact Details of the Rating Analyst:

| | |
|---|---|
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About Infomerics Ratings:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit www.infomerics.com

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the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

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 (Proposed) | - | - | - | 5.00 | IVR BB-; Stable |
| Short Term Non-Fund Based Limits – LC/BG (Proposed) | - | - | - | 15.00 | IVR A4 |

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-BEC-Infra-june22.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.