

Bharat Electrical Contractors And Manufacturers Private Limited

November 15, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	30.00	CARE BB+; Negative (Double B Plus; Outlook: Negative)	Revised from CARE BBB-; Negative (Triple B Minus; Outlook: Negative)
Long Term / Short Term Bank Facilities	3.60 (Reduced from 6.34)	CARE BB+; Negative / CARE A4+ (Double B Plus; Outlook: Negative/ A Four Plus)	Revised from CARE BBB-; Negative / CARE A3 (Triple B Minus; Outlook: Negative / A Three)
Short Term Bank Facilities	129.00 (Reduced from 139.00)	CARE A4+ (A Four Plus)	Revised from CARE A3 (A Three)
Total Bank Facilities	162.60 (₹ One Hundred Sixty- Two Crore and Sixty Lakhs Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The ratings assigned to the bank facilities of Bharat Electrical Contractors & Manufacturers Private Limited (BECMPL) have been revised on account of moderation in profitability in FY22 (Audited; refers to the period April 01 to March 31) and consequent deterioration in debt coverage indicators and liquidity profile. The ratings continue to be constrained by BECMPL's working capital intensive nature of operations, along with presence of the firm in electrical EPC business segment and exposure to tender driven process. The ratings, however, continue to derive strength from qualified & experienced promoters, and long track record of operations in the electrical component manufacturing & EPC business.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Improvement in total operating income (TOI) above Rs.200 crore and profitability on a sustainable basis.
- Timely execution of orders along with improvement in collection cycle

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Lower than envisaged total operating income due to slow execution of existing order book or lower addition to the order book
- Any un-envisaged increase in debt resulting in deterioration of overall gearing ratio to 1x and above.
- Any further deterioration in liquidity position of the company due to elongated collection period

Outlook: Negative

The outlook for the rating continues to remain 'Negative' led by anticipation of further deterioration in the company's profitability, debt coverage indicators and liquidity profile, as revenue visibility in near to medium term has reduced in the absence of new orders. The outlook may be revised to 'Stable' if BECMPL is able to improve the revenue visibility by strengthening its order book position along with timely execution and subsequent improvement in overall financial risk profile.

Detailed description of the key rating drivers

Key Rating Weaknesses

Moderation in operational performance and financial risk profile

During FY22 Total Operating Income (TOI) remained stable at Rs.137.88 crore (Rs.139.15 crore in FY21). PBILDT margin moderated to 8% in FY22 against 11.54% in FY21, the same was mainly on account of substantial increase in raw material prices coupled with subdued execution activities. PAT margin for FY22 also deteriorated to 0.43% (3.24% for FY21).

The capital structure of the company as marked by overall gearing ratio, improved and continues to remain moderate at 0.80x (including LC backed creditors) as on March 31, 2022. This is on account of schedule repayment of loans and accretion of profit to reserves. However, the debt coverage indicators weakened further due to decline in operating profit and gross cash accruals. The interest coverage and total debt to gross cash accruals stood at 1.11x and 41.70x as at the end of FY22.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Further, the company reported a TOI of Rs. 23.18 crore during H1FY23, indicating lower TOI for FY23 as compared to FY22.

Moderate order book position: BECMPL had an outstanding order book of Rs.115.77 crore as on October 31, 2022. All the orders are to be executed in a short to medium tenure. Most of the orders are from Maharashtra State Electricity Distribution Company Limited (MSEDCL), and the orders are backed by financial agencies such as Rural Electrification Corporation Ltd (REC). The current order book as on October 31, 2022 is rendering revenue visibility of around 0.84x (based on FY22 revenues). *However, the company has not received any new order since September 2019 and the ability of the company to win new orders and further strengthening its order book is critical from credit perspective and is hence a key rating monitorable.*

Working capital intensive nature of operations: The company operates in a working capital - intensive industry marked by funds blocked in inventory and receivables (inclusive of retention money and security deposit). During FY22, the operating cycle of the company continues to remain stretched to 434 days (P.Y. 426 days), majorly contributed by elongation of collection period (including retention money and security deposit) and inventory holding period. The increase in receivables collection period and inventory holding period was on account of disruption led due to COVID-19.

Timely realisation of receivables, thereby improving collection days and operating cycle is key rating monitorable.

Presence in electrical EPC business segment and exposure to tender driven process: BECMPL is a mid-sized player in the Electrical contracting industry, which is fraught with intense competition with a large number of players and has low entry barriers. BECMPL is engaged in the business of contract work for state government organizations. Furthermore, the highly competitive intensity in this segment on account of presence of large number of contractors might result in aggressive bidding of the projects by BECMPL thereby impacting its profitability margins.

Key Rating Strengths

Experienced Promoters: BECMPL is promoted by Mr Shantinath Adgonda Patil, Managing Director (MD), is an engineering graduate and has an experience of more than three and half decade in the field of electrical contracting business. BECMPL is currently managed by first and second-generation entrepreneurs of the Patil family based out of Sangli, Maharashtra. Being in the industry for so long has helped the promoters in gaining adequate acumen about the business.

Long track record of operations in the electrical component manufacturing and EPC business: BECMPL has a proven track record in electrical contracting business with an experience of over one and half decades in the field of electrical contracting business and have experience of projects execution in the states of Maharashtra, Karnataka, Gujarat and Madhya Pradesh. BECMPL is registered as class 'I-A' electrical contractor with Public works Department (PWD) of Government of Maharashtra (GoM) by virtue of which it is eligible to bid for work orders in the electrical contracting segment. The company has been able to successfully bid for electrical contracts in various states and has executed projects both government and private clients.

Liquidity: Stretched

The liquidity position of the company is stretched marked by tightly matched accruals to repayment obligations. The directors of the company time & again have also infused funds in the form of unsecured loan (USL). The USL as on March 31, 2022 was Rs.3.15 crore. The company has availed covid loans in FY21 & FY22 to support the operations of the company. The average utilisation of fund-based cash credit limit of ~79 % over the past 12 months ended October 31, 2022. Further, during FY22, the operating cycle of the company continued to remain elongated at 434 days (P.Y. 426 days) due to elongation of receivables period (including retention money and security deposit) to 394 days (P.Y. 356 days), which is expected to remain stretched in near term.

Analytical approach: Standalone

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Construction](#)

About the company

BECMPL was incorporated in October 2005, as a private limited company by Mr Shantinath Adgonda Patil (Managing Director) and is based out of Sangli (Maharashtra). Mr. Shantinath A. Patil, Managing Director (MD), is an engineering graduate and has

experience of three and half decades in the field of electrical contracting business. Prior to BECMPL, he was associated with Bharat Metal Works (established in the year 1985) and was merged with BECMPL during 2007. BECMPL is a registered class 'I-A' electrical contractor with Public Works Department (PWD) of Maharashtra. Primarily company is engaged in the business of undertaking turnkey projects involving construction, erection and commissioning of electrical installations of High Tension / Low Tension lines, & Sub-stations. Further, company has manufacturing facility located at MIDC Sangli, Maharashtra. Also, company is engaged in the trading of electrical components.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	H1FY223(UA)
Total operating income	139.15	137.88	23.18
PBILDT	16.05	11.03	NA
PAT	4.51	0.59	NA
Overall gearing (times)	0.98	0.80	NA
Interest coverage (times)	1.56	1.11	NA

A: Audited, UA: Unaudited NA: Not available

Status of non-cooperation with previous CRA: Nil

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	30.00	CARE BB+; Negative
Fund-based - LT/ ST-Term loan		-	-	September 2024	3.60	CARE BB+; Negative / CARE A4+
Non-fund-based - ST-Bank Guarantee		-	-	-	89.00	CARE A4+
Non-fund-based - ST-Letter of credit		-	-	-	40.00	CARE A4+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	30.00	CARE BB+; Negative	1)CARE BBB-; Negative (06-Apr-22)	-	1)CARE BBB-; Stable (11-Mar-21) 2)CARE BBB; Negative (19-Aug-20)	1)CARE BBB; Stable (10-Feb-20)
2	Non-fund-based - ST-Letter of credit	ST	40.00	CARE A4+	1)CARE A3 (06-Apr-22)	-	1)CARE A3 (11-Mar-21) 2)CARE A3+ (19-Aug-20)	1)CARE A3+ (10-Feb-20)
3	Non-fund-based - ST-Bank Guarantee	ST	89.00	CARE A4+	1)CARE A3 (06-Apr-22)	-	1)CARE A3 (11-Mar-21) 2)CARE A3+ (19-Aug-20)	1)CARE A3+ (10-Feb-20)
4	Fund-based - LT/ST-Term loan	LT/ST*	3.60	CARE BB+; Negative / CARE A4+	1)CARE BBB-; Negative / CARE A3 (06-Apr-22)	-	1)CARE BBB-; Stable / CARE A3 (11-Mar-21)	-

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities

Name of the Instrument	Detailed explanation
A. Financial covenants	
Margin on Fund based Limits	Raw materials & stock in process – 50% Finished goods: 33.33% Receivables (cover period of 36 days for receivables from State electricity boards/180 days for others) – 30%
Margin on Non Fund based Limits	20%
B. Non financial covenants	
Non-submission of Stock Statement	Monthly stock and book debt statement submit to bank by 20th of succeeding month, delay in submission will attract penal interest as applicable, at rates circulated from time to time.
Non submission of CMA/Renewal data for the period beyond 1 month	Will attract penal interest as applicable, at rates circulated from time to time.
Non submission of Financial Statement of previous year within 6 months of closure of financial year	Will attract penal interest as applicable, at rates circulated from time to time.
Non-renewal of insurance policy in timely manner / inadequate insurance policy	Will attract penal interest as applicable, at rates circulated from time to time.

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT/ ST-Term loan	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple
4	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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