B E Contracts Private Limited

December 04, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	6.05	CARE B+; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB-; Stable and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	20.00	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*	LT rating downgraded from CARE BB-; Stable and ST rating reaffirmed and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.
*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has been seeking the No Default Statement (NDS) from B E Contracts Private Limited (BECPL), to monitor the ratings vide e-mail communications dated December 02,2024, November 29, 2024, November 27, 2024, November 25, 2024, among others and numerous phone calls. However, despite our repeated requests, BECPL has not provided the NDS for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings has reviewed the ratings on the basis of best available information which however, in CARE Ratings' opinion is not sufficient to arrive at a fair rating. The ratings on bank facilities of BECPL will now be denoted as '**CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING***'.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The revision in ratings assigned is on account of non-availability of requisite information for continuous monitoring of the ratings, due to non-cooperation by BECPL with CARE Ratings, to provide the No Default Statement (NDS) on monthly basis. CARE Ratings views information availability risk as a key factor in its assessment of credit risk. Further, the ratings continue to remain constrained by small scale of operations, working capital intensive nature of operations, moderate orderbook with slow pace of execution, raw material price volatility albeit absence of escalation clause in all the contract and the company's presence in a competitive industry. However, these rating weaknesses are partly offset by the moderate profitability margins and comfortable capital structure. Furthermore, the ratings continue to derive strength from experienced promoters with long track record of operations.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects CARE Ratings' opinion that the company shall continue to benefit from experience of the promoters in the industry.

Detailed description of key rating drivers:

At the time of last rating on December 28, 2023, following were the rating strengths and weaknesses.

Key weaknesses

Small scale of operations

BECPL's scale of operations stood small as marked by total operating income of Rs.33.84 crore and gross cash accruals of Rs.5.18 crore respectively, during FY23 (FY refers to the period April 1 to March 31; based on audited results) as against Rs.31.75 crore and Rs.0.30 crore respectively in FY22. The improvement in scale of operations is on account of higher number of contracts executed. Nevertheless, the scale remains small, it limits the Company's financial flexibility in times of stress and deprives it of scale benefits. Further, the company has achieved total operating income of Rs.13.98 crore during H1FY24 (refers to the period from April 1, 2023, to September 30, 2023; based on provisional results) and is expected to achieve total operating income of Rs. 45.00 crores backed by unexecuted order book in hand of Rs. 118.28 crores thereby projecting short to medium term revenue visibility.

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

Working Capital Intensive nature of operations
The operations of the company are working capital intensive as evident by GCA days of 453 as on March 31, 2023. The high GCA days is on account of high inventory and debtors' period. The company raises bills on monthly basis on the completion of certain percentage of work and thereon which gets acknowledged by customer after necessary inspection of work done by the respective departments. Post the inspection, department clears the payment within 4-5 months (maximum) by deducting certain percentage of bill raised (ranging from 5-10% of bill amount) in the form of retention money, which they refund after submission of bank guarantee/ after one year from the completion of contract. Further, it used to remain on the higher side since, major portion of the contracts are completed, and bills are realized in the last quarter only. Thus, the average collection period stood high around 142 days in FY23. The inventory is in the form of work in progress at different sites on account of procedural delays involved in the certifications/validation of the invoices for the contracts executed resulting in an average inventory holding period of 185 days for FY23. The company receives the credit period of around 2-3 month from its suppliers.

Moderate order book position with slow pace of execution
The company has moderate though concentrated unexecuted order book position of Rs.118.28 crore as on October 31, 2023, which is equivalent to 3.50x the total operating income achieved in FY23, thereby reflecting revenue visibility over the medium term. Further, the progress of certain orders remains slow moving owing to various issues such as delay in civil work, land acquisition issues, land rehabilitation issue, environmental clearances, etc. Furthermore, disruptions in project execution within the timelines is also caused by lockdowns and labour unavailability as an impact of COVID-19 pandemic. Thus, timely completion of slow-moving orders with cost overrun and execution pace of new orders received in 2023 will be key rating sensitivities. The timely execution of existing as well as newly received large sized orders remain key rating monitorable.

Raw material price volatility albeit absence of escalation clause in all the contracts
In the absence of any backward integration, the company procures its primary raw materials which includes electrical components, electrical wires, switches, gears etc. from approved vendors/regional players specified by the respective clients at market rates and hence, it is susceptible to volatility in the input prices which may have adverse impact on the profitability of the company. Further, the company is not insulated from any volatility in the input prices of raw materials as majority of the contracts does not a built-in price escalation clause for change in raw material prices owing to the short tenure of the project. Therefore, ability of the company to pass on increased price burden to the customers in a timely manner and maintain profitability margins is critical from the credit perspective.

Highly competitive industry with business risk associated with tender-based orders
BECPL operates in a highly competitive industry wherein it faces direct competition from various organized and unorganized players in the market given the low barriers to entry. There are number of small and regional players catering to the same market which has limited the bargaining power of the company. The risk arises from the fact that any changes in geo-political environment and policy matters would affect all the projects at large. Further, any changes in the government policy or government spending are likely to affect the revenues of the company. Furthermore, majority of the projects are awarded through the tender-based system. This exposes the company towards risk associated with the tender-based business, which is characterized by intense competition. Thus, the growth of the business depends on its ability to successfully bid for the tenders and emerge as the lowest bidder.

Key strengths

Moderate profitability margins
The profitability margins of the company stood moderate for the past three financial years i.e. (FY21-FY23) on account of better margins contract executed. The PBILDT margin of the company moderated to 9.12% in FY23 as against 13.58% in FY22 owing to lower margin contract executed by the company. However, PAT margin improved to 13.56% in FY23 as against 0.20% in FY22 on account of non-operating income realised from the sale of asset. Going forward, PBILDT margin is expected to remain in line with the previous year levels.

Comfortable capital Structure
As on March 31, 2023 (Audited), the debt profile of the company comprises of term loans of Rs. 6.01 crore, unsecured loans from related parties of Rs. 1.01 crore, acceptances of Rs. 0.03 crore and working capital borrowings of Rs. 9.32 crore against moderate tangible networth of Rs.19.71 crore. The capital structure of the company stood comfortable as marked by debt-to-equity ratio and the overall gearing ratio stood at 0.31x and 0.83x respectively as on March 31, 2023, improving marginally from 0.52x and 1.71x respectively as on March 31, 2022. The improvement is on account of regular repayments of debts coupled with improvement in net worth due to accretion of profit to reserves. The capital structure is expected to moderate remain comfortable over the medium term on account of limited debt levels as envisaged.

Experienced Promoters with long track record of operations
B.E. Contracts Private Ltd, formerly known as Bharat Electricals, was established as a partnership firm in 1953 and later reconstituted as a private limited company in 2003. The company is managed by Mr. Sanjay Gujral, who is a gold medallist in electrical engineering. He holds an extensive experience of around three decades in the industry and have an adequate acumen

about various aspects of business which is likely to benefit the company in the long run. The company is well established in their field of EPC/ Turnkey projects from the last 63 years and are equipped with proper technical and engineering staff that are highly trained to execute major electrical assignments.

Applicable criteria

Definition of Default
Policy in respect of non-cooperation by issuers
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Construction
Liquidity Analysis of Non-financial sector entities
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

B.E. Contracts Private Ltd, formerly known as Bharat Electricals, was established as a partnership firm in 1953 and later reconstituted as a private limited company in 2003. The company is engaged in the installation of electrical work in a complete manner such as supplying, installing, testing, and commissioning complete electrical requirements. The company's registered office is in New Delhi and undertakes contracting jobs of both Govt. as well as private contracts across India. Their performance covers Electrical Installation in Embassies/High Commissions, Industries, Institutional Buildings, Multi-storeyed Buildings, Factories, Commercial Complexes, Five Star Hotels, Airports, Banks, Hospitals, Infra Projects & Software Installations.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	H1FY24(UA)*
Total operating income	31.75	33.84	13.98
PBILDT	4.31	3.09	NA*
PAT	0.06	4.59	0.82
Overall gearing (times)	1.71	0.83	0.50
Interest coverage (times)	1.43	1.14	2.35

A: Audited UA: Unaudited; NA*: Not available; Note: these are latest available financial results*Refers to the period from April 01, 2023, to Sep 30, 2023.

Status of non-cooperation with previous CRA:
Brickwork Ratings has downgraded the ratings assigned to the bank facilities of BECPL under Issuer not cooperating (INC) category vide its press release dated May 24, 2024, on account of its inability to carry out review in the absence of requisite information from the company. Further, Infomerics Ratings downgraded the ratings assigned to the bank facilities of BECPL under INC category vide its press release dated November 02, 2024, on account of its inability to carry out review in the absence of requisite information from the company.

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	4.40	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	January, 2026	1.65	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	20.00	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*

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

Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	4.40	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (28-Dec-23)	-	-
2	Fund-based - LT-Term Loan	LT	1.65	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (28-Dec-23)	-	-
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	20.00	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable / CARE A4 (28-Dec-23)	-	-

*Issuer did not cooperate; based on best available information.
LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

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

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

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

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Puneet Kansal Director **CARE Ratings Limited** Phone: 120-4452018 E-mail: puneet.kansal@careedge.in Dhruv Mittal Assistant Director **CARE Ratings Limited** Phone: 91-120-4452050 E-mail: dhruv.mittal@careedge.in Naincy Barnwal Lead Analyst **CARE Ratings Limited** E-mail: Naincy.barnwal@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For the detailed Rationale Report and subscription information,
please visit www.careedge.in