

## Bagkiya Constructions Private Limited

March 31 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	4.94	CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE B; Negative (Single B; Outlook: Negative) and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	2.00	CARE B-; Stable / CARE A4; ISSUER NOT COOPERATING* (Single B Minus ; Outlook: Stable/ A Four ISSUER NOT COOPERATING*)	Revised from CARE B; Negative / CARE A4 (Single B ; Outlook: Negative / A Four) and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	30.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>36.94 (Rs. Thirty-Six Crore and Ninety-Four Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Bagkiya Construction Private Limited to monitor the rating(s) vide e-mail communications/letters dated March 14, 2022, March 01, 2022 and February 22, 2022 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Bagkiya Construction Private Limited's bank facilities 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).***

### Rating Sensitivities

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

- Ability of the company to timely realize its debtors and improve its liquidity position over the complete financial year 2020-21.
- Sustained improvement in scale of operations and profitability with PBILDT margin above 13% - 14% respectively.

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

- Any delay in realization of debtors resulting in further stretch in the liquidity position of the company
- Sustained decline in scale of operations and profitability

#### Detailed description of the key rating drivers

*At the time of last rating on April 01, 2021 the following were the rating strengths and weaknesses (Updated for data available from Register of Companies)*

#### Detailed description of the key rating drivers

##### Key Rating Weaknesses

##### Moderate scale of operations with low capitalisation

The total operating income of the company has significantly improved to Rs.158.08 crore in FY21 (as against Rs.36.89 crore in FY20).

##### Moderate profitability margins with low cash accruals

Despite of increase in TOI for FY21, the PBILDT margin of BCPL decreased by 669 Bps to 8.48% for FY21 as against 15.17% for FY20. Further, PAT margin also decreased by 88 Bps to 5.30% for FY21 vis-à-vis 6.18% for FY20.

##### Moderate order book position along with significant customer concentration

BCPL has an outstanding order book to TOI of FY20 at 7.50 times as on December 31, 2020 (as compared to 6.91 times TOI of FY19) to be executed over a period of 3 – 12 months. The order book provides revenue visibility for the short-term period. The

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

entire order book pertains to irrigation, dam construction and allied activities. The outstanding orders are majorly in the state of Karnataka and the orderbook is highly concentrated with two orders contributing to around 91% of the outstanding order value and significant customer concentration risk with around 90% of the outstanding orders from single end customer Karnataka Neeravari Nigam Limited. Moreover, high customer concentration increases the risk of cash flow issues in the short term in case of non-timely recoverability of receivables. Further, the outstanding orders does not contain price escalation clause effecting the profitability margins under untoward instance of increase in cost of raw materials.

Presence in highly fragmented, competitive and tender driven nature of business: BCPL operates in tender-based environment which is characterized by intense competition and fragmented nature of industry resulting in moderate operating profit margins for the company. The industry is highly competitive with major presence of well-established domestic players and unorganized segment of civil construction contractors. Also, the company is also highly dependent on the development projects undertaken by government customers which is highly influenced by budgetary allocation etc.

Likely impact of Covid-19 pandemic on the Civil construction industry: Amid situations like COVID-19, most of the state government departments have trimmed construction project plans on account of significant focus towards healthcare expenses and to conserve cash. This significantly impacted construction companies mainly engaged in execution of building projects for government customers. However, with relaxation in lockdown, healthcare spending stabilized amidst lower Covid19 cases registered, the civil construction companies operating in this sector are likely to witness fresh order inflows.

### **Key Rating Strengths**

#### **Comfortable capital structure and moderate debt coverage indicators**

The capital structure of the company improved and stood comfortable marked by overall gearing ratio of 0.34x as on March 31, 2021 as against 0.40x as on March 31, 2020. Further, with improvement in gearing levels, the total debt to GCA also improved and stood at 0.88x as at the end of FY21(as against 1.21x as at the end for FY20). The PBILDT interest coverage ratio improved 7.97x in FY21 against 4.06x as at the end of FY20

#### **Regularization of debt servicing**

The company had witnessed liquidity issues due to delay in realization of the debtors mainly from Goa Tourism Development Corporation which subsequently resulted in delays in repayment of the vehicle loans instalment(not rated by CARE) for the month of October and November 2020. However, major portion of the stuck receivables of more than 70% has been recovered and the loans have been paid in timely for the last four months (November 20, 2020 to March 19, 2021).

#### **Extensive experienced of the promoters and long track record of operations**

BCPL was incorporated in the year 2006 and promoted by Mr. Bagkiya Durai Karuppa Pillai and Mrs. Siva Ranjani. Both the promoters are qualified graduates and are well versed with the intricacies of the business on the back of about two decades of experience in the construction industry. Being in the industry for long, the promoters have established a good relationship with labor contractors, suppliers and customers, resulting in smooth execution of projects and regular receipt of orders from them.

#### **Liquidity: Stretched**

Liquidity analysis: Stretched Liquidity position of the company is stretched marked by high utilization of Cash Credit limits to the tune of 95% over the last 12 months ended February 28, 2021 leaving lower room for support in case of any exigencies. Further, there was significant liquidity stress in the account during the period August 2020 November 2020 on account of pending collection of receivables majorly government entities which hampered timely repayment of vehicle loans(not rated by CARE).

**Analytical approach:** Standalone

#### **Applicable Criteria**

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE Ratings Ltd.'s Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Rating Methodology – Construction Sector](#)

#### **About the Company**

Goa based, Bagkiya Constructions Private Limited (BCPL) was incorporated as a Private Limited Company in the year 2006 and promoted by Mr. Bagkiya DuraiKaruppa Pillai and Mrs. Siva Ranjani. The company is engaged in civil constructions works like construction of buildings, roads, bridges, dams and canals among others for state government of Goa, Karnataka along with Private organizations. The company purchases the raw materials like metal, cement and bitumen among others from local traders of Goa. Apart, the company has also started executing work orders for State Government of Karnataka.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22(Prov.)
Total operating income	36.89	158.08	NA
PBILDT	5.60	13.40	
PAT	2.28	8.38	
Overall gearing (times)	0.40	0.34	
Interest coverage (times)	4.06	7.97	

A: Audited

**Status of non-cooperation with previous CRA:** ACUITE vide its press release dated January 20, 2021 had placed ratings of BCPL under Issuer not Co-operating category on account of non-availability of information to carry out the review

**Any other information:** Not Applicable.

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** 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 (Rs. crore)	Rating assigned along with Rating Outlook
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	2.00	CARE B-; Stable / CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	30.00	CARE A4; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		January 01, 1753	-	-	0.34	CARE B-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Proposed fund based limits		-	-	-	4.60	CARE B-; Stable; ISSUER NOT COOPERATING*

#### Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST*	2.00	CARE B-; Stable / CARE A4; ISSUER NOT COOPERATING*	1)CARE B; Negative / CARE A4 (01-Apr-21)	1)CARE B; Negative / CARE A4 (23-Nov-20)	1)CARE BB-; Stable / CARE A4 (09-Mar-20)	1)CARE BB+; Stable (19-Dec-18)
2	Non-fund-based - ST-Bank Guarantee	ST	30.00	CARE A4; ISSUER NOT COOPERATING*	1)CARE A4 (01-Apr-21)	1)CARE A4 (23-Nov-20)	1)CARE A4 (09-Mar-20)	1)CARE A4+ (19-Dec-18)
3	Fund-based - LT-Term Loan	LT	0.34	CARE B-; Stable; ISSUER NOT COOPERATING*	1)CARE B; Negative (01-Apr-21)	1)CARE B; Negative (23-Nov-20)	1)CARE BB-; Stable (09-Mar-20)	-
4	Fund-based - LT-Proposed fund based limits	LT	4.60	CARE B-; Stable; ISSUER NOT COOPERATING*	1)CARE B; Negative (01-Apr-21)	1)CARE B; Negative (23-Nov-20)	1)CARE BB-; Stable (09-Mar-20)	-

\* Long Term / Short Term

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities-Not applicable**
**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Proposed fund based limits	Simple
2	Fund-based - LT-Term Loan	Simple
3	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple
4	Non-fund-based - ST-Bank Guarantee	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 instrument:** CARE Ratings Ltd. 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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**About CARE Ratings Limited:**

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