Press Release

BCPL RAILWAY INFRASTRUCTURE LIMITED

Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	ACUITE BBB | Stable | Reaffirmed	-
Bank Loan Ratings	40.00	-	ACUITE A3+ | Reaffirmed
Total Outstanding Quantum (Rs. Cr)	55.00	-	-

Rating Rationale

Acuité has reaffirmed the long term rating of **'ACUITE BBB' (read as ACUITE triple B)** and the short term rating of **'ACUITE A3+' (read as ACUITE A three plus)** on the Rs.55.00 crore bank facilities of BCPL Railway Infrastructures Limited (BCPL). The outlook is **'Stable'.**

Rationale for Reaffirmation

The rating reaffirmation of BCPL takes into account the stable business risk profile of the company as reflected from its modest scale of operation coupled with healthy profitability margin, adequate liquidity and the financial risk profile which continues to remain healthy marked by healthy net worth, low gearing and strong debt protection metrics. The revenue improved at Rs.122.83 Cr in FY2023 as against Rs.105.45 Cr in FY2022. Also, the rating factors in the outstanding unexecuted order book which stood at Rs.202.91 crore as of 31st January 2024 along with L1 order worth Rs.35 Cr in hand.

Further, the reaffirmation in rating also factors in improvement in operating margins of the company during the current year as it stood at 11.62 percent in 9MFY2024 as against 8.06 percent in 9MFY2023, albeit slight moderation in operating income. BCPL's revenue in 9MFY2024 stood at Rs.62 Cr as compared to Rs.88 Cr in 9MFY2023,. The improvement in margins is on account of increased focus on executing railway infrastructure development projects. The PAT margins stood at7.94 percent in 9MFY2024 as against 6.49 percent in 9MFY2023.

The rating is however constrained on account of elongated working capital cycle and competitive and fragmented nature of industry coupled with tender based business.

About the Company

Incorporated in 1995, West Bengal based BCPL Railway Infrastructure Limited (BCPL) is engaged in the execution of railway infrastructure development projects involving design, drawing, supply, erection and commissioning of 25KV, 50Hz single phase traction overhead equipment. The company is headed by Mr. Aparesh Nandi, Mr. Jayanta Kumar Ghosh, and Mr. Uday Narayan Singh, who all are promoter directors. The primary client of BCPL is Indian Railways and various railways zones such as Southern, Northern, Eastern, Central, South East Central, to name a few. The company also caters to reputed private clients, namely, Ultratech Cement Limited, Tata Steel BSL Limited, Adhunik Alloys & Power Limited, Jindal Steel & Power Limited and Rungta Mines Limited.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of BCPL to arrive at the rating.

Key Rating Drivers

Strengths

Long track record of operations and experienced management

Established in 1995, BCPL Railway Infrastructure Limited (BCPL) has a long operational track record of more than two decades in the execution of railway electrification projects. The key promoters of the company, Mr Aparesh Nandi, Mr Jayanta Kumar Ghosh and Mr Uday Narayan Singh have been in the industry for more than three decades. The long standing experience has been through their partnership concerns, M/s Bapi construction and M/S U K Construction.
Acuité derives comfort from the long experience of the promoters and the long track record of operations.

Modest scale of operation coupled with healthy profitability margin

The revenue of the company improved to Rs.122.83 crore in FY2023 as against Rs.105.45 crore in FY2022. This improvement in revenue is on account of increase in work order execution during the period along with venturing into export of commodities such as maize and oil cakes to Bangladesh. The company had started trading/export of commodities during FY2022 alongside its core operations. This has led the company to improve its overall top-line by ~27 per cent during FY2022. Out of the revenue earned in FY2023, 17% revenue was from merchant exports and remaining 83% was from railway infrastructure. Further, the company has unexecuted order book outstanding of Rs.202.91 crore as of 31st January 2024 along with L1 orders worth Rs.35 Cr in hand.
Though the operating profitability margin of the company has declined, but still stood healthy at 8.65 percent in FY2023 as against 9.35 per cent in FY2022. This deterioration in operating profitability is mainly due to increase in the raw material costs. The net profitability margin of the company stood at 6.58 percent in FY2023 as against 7.04 per cent in FY2022.
Further, in 9MFY2024 the operating margins stood healthy at 11.62 percent as against 8.06 percent in 9MFY2023. The improvement is driven by increased focus of the company on executing only railway infrastructure development projects. Also, PAT margins improved to 7.94 percent in 9MFY2024 as against 6.49 percent in 9MFY2023. The revenue stood at Rs.62 Cr in 9MFY2024 as compared to Rs.88 Cr in 9MFY2023,
Going forward, Acuité believes that the revenue of the company will increase on account of well-established presence and comfortable order book position.

Healthy financial risk profile

The financial risk profile of the company is healthy marked by healthy net worth, low gearing and strong debt protection metrics. The net worth of the company stood at Rs.84.46 crore in FY 2023 as compared to Rs 77.02 crore in FY2022. This improvement in net worth is mainly due to the retention of profit during FY2023. The gearing of the company stood at 0.03 times as on March 31, 2023 and 2022 when compared to 0.07 times as on March 31, 2021. Interest coverage ratio (ICR) stood strong at 7.70 times in FY2023 as against 10.88 times in FY2022. The debt service coverage ratio (DSCR) of the company also stood strong at 3.84 times in FY2023 as compared to 3.07 times in the previous year. The net cash accruals to total debt (NCA/TD) stood strong at 3.28 times in FY2023 as compared to 3.18 times in the previous year.
Going forward, Acuite believes the financial risk profile of the company will remain healthy on account of steady net cash accruals and no major debt funded capex plan over the near term.

Weaknesses

Working capital intensive operations

The working capital management of the company is intensive although gross current asset (GCA) days have improved to 197 days in FY2023 as compared to 216 days in the previous year. This high GCA day of the company is mainly due to high inventory of 110 days in FY2023 as against of 108 days in the previous year. The average inventory holding period is around 4-5 months. The debtor days of the company improved at 47 days in FY2023 as compared to 68 days in the previous year. The average credit period allowed to customers is 45 days. Further, the creditor days stood at 43 days in FY2023 as against 26 days in FY2022. The average credit

period is around 40-45 days.
Acuité believes that the ability of the company to manage its working capital operations efficiently will remain a key rating sensitivity.

Competitive and fragmented nature of industry coupled with tender based business
The company is engaged as a civil contractor and the particular sector is marked by the presence of several mid to big size players. The company faces intense competition from the other players in the sectors. Risk becomes more pronounced as tendering is based on a minimum amount of bidding of contracts and hence the company has to make bid for such tenders on competitive prices; which may affect the profitability of the company. However, this risk is mitigated to an extent as the company is operating in this environment for the last twelve years.

Rating Sensitivities

- Scaling up of operations while maintaining their profitability margin
- Timely execution of orders
- Elongated working capital management

Liquidity Position

Adequate
The company has adequate liquidity position marked by healthy net cash accruals of Rs.8.25 crore as against Rs.0.91 long term debt obligations in FY2023. The cash accruals of the company are estimated to remain in the range of around Rs.9.51-11.89 crore during 2023-24 as against Rs.0.73-0.32 crore in the same period. The average fund-based limits utilization has been ~70 percent utilized during the last nine months ended in December 2023. The current ratio of the company stood strong at 3.13 times in FY2023 as against 3.15 times in FY2022. The Gross Current Asset (GCA) days of the company improved but still stood high at 197 days in FY2023 as against 216 days in FY2022.
Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals against the debt obligations over the medium term.

Outlook: Stable

Acuité believes the outlook on BCPL Railway Infrastructure Limited (BCPL) will remain 'stable' over the medium term on account of the vast experience of the promoters, long track record of operations and stable operating performance. . The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins and improved its working capital management. Conversely, the outlook may be revised to 'Negative' in case of a decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position or deterioration in its working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	122.83	105.45
PAT	Rs. Cr.	8.08	7.42
PAT Margin	(%)	6.58	7.04
Total Debt/Tangible Net Worth	Times	0.03	0.03
PBDIT/Interest	Times	7.70	10.88

Status of non-cooperation with previous CRA (if applicable)
Not Applicable

Any other information
None

Applicable Criteria
• Default Recognition :- https://www.acuite.in/view-rating-criteria-52.htm
• Infrastructure Sector: https://www.acuite.in/view-rating-criteria-51.htm
• Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm

Note on complexity levels of the rated instrument
In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
21 Feb 2023	Bank Guarantee	Short Term	40.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB | Stable (Reaffirmed)
06 Jan 2022	Cash Credit	Long Term	15.00	ACUITE BBB | Stable (Reaffirmed)
	Bank Guarantee	Short Term	40.00	ACUITE A3+ (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	40.00	Simple	ACUITE A3+ | Reaffirmed
Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE BBB | Stable | Reaffirmed

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.