



September 20, 2010

ICRA assigns LBBB- (stable) and A3 ratings to the bank facilities of Bharat Udyog Limited

ICRA has assigned an LBBB- (pronounced L triple B minus) rating to the Rs. 43.0 crore¹ long-term bank facilities of Bharat Udyog Limited (BUL)[†]. ICRA has also assigned an A3 (pronounced A three) rating to the Rs. 18.0 crore short-term non-fund based limits of BUL. The outlook on the long-term rating is stable.

The ratings take into consideration the long track record of the company in the construction sector especially in roads, its established relationship with government departments with whom it has executed number of repeat orders in the past, and the long-standing experience of the promoters in the construction industry. The ratings derive comfort from the healthy unexecuted order-book which provides visibility to the revenues over the medium term, conservative capital structure of the company and its generation of positive cash flow from operations. The company is engaged in processing and trading of bitumen which helps backward integrate with the road construction business thereby providing stability to raw material supply and improve profit margins.

The ratings are however constrained by the high geographical concentration of the company's business with it executing projects/sales mainly in Maharashtra in the past, the pressure on the working capital cycle being put by the high receivables and the corporate guarantees, amounting to ~1.4 times its net-worth, extended by the company on behalf of its subsidiary/associate companies.

Company Profile

Bharat Udyog Limited (BUL), set up in 1993, is an infrastructure development company. The Company's core area of operations is infrastructure development in the field of roads and construction (as EPC and also some BOT projects), and processing and trading of Bitumen. The company is also engaged in toll collection, sand quarrying on a contract basis and has also executed one commercial mall development project in Kolhapur on a BOT basis.

BUL is promoted by Mr. Srichand Kukreja who started construction business with Jaihind Construction Company in 1980 for executing construction activities of smaller ticket size as a sub contractor. He set up Jaihind Contractors Private Limited (JCPL) in 1988 and Swaraj Erectors Private Limited (SEPL) in 1993 to execute infrastructure projects. BUL was incorporated in 1993 by merging JCPL and SEPL. It was then known as Bharat Monetary Services Private Limited and was intended to act as an NBFC for group companies. The name was changed to BUL in 2001 and in 2002 all the group companies were consolidated under BUL. All construction activities are hence conducted under BUL.

Mr. Srichand Kukreja currently acts as the Chairman and Managing Director of BUL and the company continues to remain closely held.

Recent Results

Bharat Udyog Limited reported a profit after tax (PAT) of Rs. 11.1 crore in 2009-10 (Provisional) on an operating income of Rs. 117.1 crore. The same for 2008-09 stood at Rs. 5.0 crore and Rs. 67.7 crore respectively.

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¹100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

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*ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex".
The classification of instruments according to their complexity levels is available on the website www.icra.in*

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