

November 15, 2019

Buildmet Private Limited: Ratings revised to [ICRA]D / [ICRA]D and removed from issuer not cooperating category

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loan	4.72	4.72	[ICRA]D; Revised from [ICRA]BB(Stable); ISSUER NOT COOPERATING ; Removed from Issuer not Cooperating category
Fund based Limits	12.00	12.00	[ICRA]D; Revised from [ICRA]A4+; ISSUER NOT COOPERATING ; Removed from Issuer not Cooperating category
ST - Unallocated	8.78	8.78	
ST - Non-fund based	24.50	24.50	
Total	50.00	50.00	

**Instrument details are provided in Annexure-1*

Rationale

The rating revision factors in the delays in repayment of term loans by Buildmet Private Limited (BPL), as confirmed by the lenders. The delays are due to poor liquidity position of the company resulting from increased working capital requirements given the increased order book. The company has high client and project concentration of the order book. The company witnessed a healthy revenue growth over the past two years and had a healthy order book as on October 2019, which provides revenue visibility in the medium term. Going forward, timely servicing of all its debt obligations consistently and on a sustained basis and improved liquidity position could lead to a rating upgrade.

Key rating drivers and their description

Credit strengths

Healthy revenue growth and improved order book during the last two financial years - BPL has recorded a healthy revenue growth of ~65% in FY2018 and ~71% in FY2019 due to improved order book position and timely execution of the orders. It had a healthy unexecuted order book of ~Rs.290.0 crore as on October 2019, which is 2.36 times of FY2019 revenues, providing medium term revenue visibility.

Credit challenges

Delays in debt servicing – There have been delays in repayments of term loans by BPL, due to its poor liquidity position resulting from increased working capital requirements owing to increase in scale of operations.

High client and project concentration — BPL has high customer and project concentration with top three clients accounting for over 75% of the unexecuted order book and top three projects accounting for over 60% of the unexecuted order book. BPL also has high segment concentration with a major portion of the order book comprising projects in the cement industry

Liquidity position: Poor

BPL's liquidity position is poor due to increased working capital requirements because of increased scale. The same is evident from 100% utilisation of working capital limits for the past 6 months period.

Rating sensitivities

Positive triggers - ICRA could upgrade BPL's rating if the company is timely in meeting all its debt servicing obligations consistently and on a sustained basis and if the company's liquidity position improves

Negative triggers: Not Applicable.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Policy on Default Recognition
Parent/Group Support	Not applicable
Consolidation / Standalone	The ratings are based on standalone financial statements of the company

About the company

BPL was established in 1974 as a private limited company by a group of civil engineers. The company is a civil constructor and is also a registered Class-I contractor for PWD, Karnataka. The company was taken over by Ayoki Fabricon Private Limited, a Pune-based company in May 2015. The company does civil construction work for cement-manufacturing units, power-production units, sugarcane-manufacturing units, roads etc.

BPL has reported an operating income (OI) of Rs.122.6 crore and net profit of Rs.5.0 crore in FY2019, as against an OI of Rs. 71.8 crore and net profit of Rs. 2.7 crore in FY2018.

Key financial indicators

	FY 2017	FY 2018	FY2019
Operating Income (Rs. crore)	43.6	71.8	122.6
PAT (Rs. crore)	1.7	2.7	5.0
OPBDIT/ OI (%)	9.0%	10.4%	10.6%
RoCE (%)	21.0%	21.9%	26.9%
Total Outside Liabilities/Tangible Net Worth (times)	2.2	4.0	4.4
Total Debt/ OPBDIT (times)	1.9	2.6	1.7
Interest coverage (times)	4.3	3.7	4.4
DSCR	3.9	1.9	1.8

Source: BPL

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for last three years:

Instrument	Current Rating (FY2020)				Rating History for the Past 3 Years			
	Type	Amount Rated	Amount Outstanding	Rating 15-Nov-2019	Rating 29-Aug-2019	FY2019	FY2018 15-Feb-2018	FY2017 30-Jan-2017
1 Term Loan	Long Term	4.72	2.10	[ICRA]D	[ICRA]BB (Stable); ISSUER NOT COOPERATING	-	[ICRA]BB (Stable)	-
2 Fund based Limits	Long Term	12.00	-	[ICRA]D	[ICRA]BB (Stable); ISSUER NOT COOPERATING	-	[ICRA]BB (Stable)	[ICRA]B+ (Positive)
3 ST - Unallocated	Short Term	8.78	-	[ICRA]D	[ICRA]A4+: ISSUER NOT COOPERATING	-	[ICRA]A4+	[ICRA]A4
4 ST - Non-fund based	Short Term	24.50	-	[ICRA]D	[ICRA]A4+: ISSUER NOT COOPERATING	-	[ICRA]A4+	[ICRA]A4

Complexity level of the rated instrument:

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

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	-	-	FY2022	4.72	[ICRA]D
NA	Cash Credit	-	-	-	12.00	[ICRA]D
NA	ST - Unallocated	-	-	-	8.78	[ICRA]D
NA	ST -Bank Guarantee	-	-	-	24.50	[ICRA]D

Source: BPL

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