

Rating Advisory

March 31, 2020 | Mumbai

Bigbloc Construction Limited

Advisory as on March 31, 2020

This rating advisory is provided in relation to the rating of Bigbloc Construction Limited

The key rating sensitivity factors for the rating include:

- Topline growth and sustenance of margins
- Working capital management
- Debt funded capital expenditure (capex) program
- Acquisition and funding mix

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from Bigbloc Construction Limited (BCL) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If BCL continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016 and SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

About the group

BCL manufactures aerated autoclave concrete (AAC) blocks at its plant in Valsad, Gujarat. The company has installed capacity of 3 lakh cubic metre per annum and markets its products under the brand, NXTBLOC. BCL, based in Surat, Gujarat, demerged from Mohit Industries Ltd in 2015. Its operations are managed by the director, Mr Mohit Saboo.

SBM is a subsidiary of BCL and has installed capacity of 2 lakh cubic metre per annum for AAC block. The plant is in Kheda, Gujarat.

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Rating Rationale

April 09, 2019 | Mumbai

Bigbloc Construction Limited

Rating removed from 'Watch Developing'; Rating Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.25 Crore
Long Term Rating	CRISIL BB/Stable (Removed from 'Rating Watch with Developing Implications'; Rating Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has removed its rating on the long-term bank facilities of Bigbloc Construction Limited (BCL; part of Bigbloc group) from '**Rating Watch with Developing Implications**' and reaffirmed the rating at 'CRISIL BB' and assigned a '**Stable**' outlook.

CRISIL had placed the rating on watch on July 18, 2018, following BCL's announcement of its acquisition of Hilltop Concrete Pvt Ltd (now renamed as Starbigbloc Building Material Pvt Ltd [SBM]). CRISIL was awaiting discussions with the management on the structure of transaction and its implications on the credit risk profile of BCL.

The watch is resolved following clarity from the management. BCL has acquired 100% stake in SBM which has now become its wholly owned subsidiary; this acquisition has been funded by unsecured loans extended by the promoters. The promoters extended around Rs 10 crore in BCL to part fund the acquisition and working capital requirement in SBM. Consequently, BCL's cash flow has not weakened.

The rating continues to reflect BCL's moderate financial risk profile, optimum capacity utilisation, and healthy profitability. These strengths are partially offset by average scale of operations and large working capital requirement.

Analytical Approach

CRISIL has consolidated the business and financial risk profiles of BCL and SBM, together referred to as Bigbloc group. That is because SBM is a 100% subsidiary of BCL, there are significant business and financial interlinkages between the two companies. Further, BCL has given corporate guarantee for the bank facilities availed of by SBM.

The interest-free unsecured loans extended to BCL by the promoters have been treated as 75% equity and the balance as debt. That is because these loans may be retained in the business over medium term.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

*** Moderate financial risk profile**

The financial risk profile is moderate, with a networth of Rs 30 crore and gearing of 1.57 times as of March 2018. Debt protection metrics were moderate, with interest coverage and net cash accrual to total debt ratios of over 2.09 times and 0.07 time, respectively, during fiscal 2018. The consolidated financial risk profile is estimated to have improved in fiscal 2019 backed by improved performance of SBM and the fund infusion by promoters.

*** Optimum capacity utilisation and healthy profitability**

Ramp-up in capacity utilisation to around 90% resulted in healthy top line growth and profitability for BCL. Revenue and operating margin were Rs 71.5 crore and 16.6%, respectively, in fiscal 2018. In SBM, as well, the operations have turned around since the takeover by BCL; SBM is expected to contribute around a third of the group's turnover over medium term. BCL has maintained a healthy operating margin over 15% over the three fiscals through 2018. While operating margin moderated in fiscal 2019 amidst push for scale up, pricing and cost pressures, it is expected to recover over the medium term supported by better spread of costs on higher scale, lowered logistics costs.

Weaknesses

*** Average scale of operations**

Scale is average, as reflected in revenue of Rs 73 crore in fiscal 2018, with intense competition, and plant size, high transportation overheads continuing to restrict scalability. While the SBM addition shall be helpful, the group's ability to scale up and sustain needs to be observed.

*** Large working capital requirement**

Operations are likely to remain working capital intensive. Gross current assets were around 6 months as on March 31, 2018, with receivables and inventory of 108 days and 42 days, respectively.

Liquidity

Liquidity may remain restrained over the medium term by high term debt obligations and working capital intensive operations. While company is expected to generate healthy cash accrual of Rs 10 crore in fiscal 2020, same shall be largely utilized to service the repayment obligation of Rs 7 crore and incremental working capital requirements restraining any significant improvement in liquidity. The bank limit utilisation has been high and averaged over 95% (on the sanctioned bank limit of Rs 16.5 crore).

Outlook: Stable

CRISIL believes the Bigbloc group shall continue to benefit from the experience of promoter and their continued funding support. The outlook may be revised to 'Positive' if cash accrual is substantially better than expected coupled with steady capital structure. Conversely, the outlook may be revised to 'Negative' if a steep decline in cash accrual, a further stretch in the working capital cycle, or any large, capital expenditure weakens the financial profile and liquidity.

About the Group

BCL manufactures aerated autoclave concrete (AAC) blocks at its plant in Valsad, Gujarat. The company has installed capacity of 3 lakh cubic metre per annum and markets its products under the brand, NXTBLOC. BCL, based in Surat, Gujarat, demerged from Mohit Industries Ltd in 2015. Its operations are managed by the director, Mr Mohit Saboo.

SBM is a subsidiary of BCL and has installed capacity of 2 lakh cubic metre per annum for AAC block. The plant is in Kheda, Gujarat.

Key Financial Indicators (Standalone)

Particulars	Unit	2018	2017
Revenue	Rs crore	71.5	62.8
Profit After Tax (PAT)	Rs crore	4	2.9
PAT Margin	%	5.6	4.7
Adjusted debt/adjusted networth	Times	1.26	1.26
Interest coverage	Times	3.8	3.2

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Cr)	Rating Outstanding with Outlook
NA	Cash Credit	NA	NA	NA	13	CRISIL BB/Stable
NA	Long Term Loan	NA	NA	Nov-2020	10	CRISIL BB/Stable
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	2	CRISIL BB/Stable

Annexure - List of Entities Consolidated

Names of Entities Consolidated	Extent of Consolidation
Bigbloc Construction Ltd	Full Consolidation
Starbigbloc Building Material Pvt Ltd	Full Consolidation

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2019 (History)		2018		2017		2016		Start of 2016
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	25.00	CRISIL BB/Stable	09-01-19	CRISIL BB/Watch Developing	15-10-18	CRISIL BB/Watch Developing	22-06-17	CRISIL BB/Stable	03-06-16	CRISIL BB/Stable	--
						18-07-18	CRISIL BB/Watch Developing					

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	13	CRISIL BB/Stable	Cash Credit	13	CRISIL BB/Watch Developing
Long Term Loan	10	CRISIL BB/Stable	Long Term Loan	10	CRISIL BB/Watch Developing
Proposed Long Term Bank Loan Facility	2	CRISIL BB/Stable	Proposed Long Term Bank Loan Facility	2	CRISIL BB/Watch Developing
Total	25	--	Total	25	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[CRISILs Bank Loan Ratings](#)

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For further information contact:

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<p>Saman Khan Media Relations CRISIL Limited D: +91 22 3342 3895 B: +91 22 3342 3000 saman.khan@crisil.com</p> <p>Naireen Ahmed Media Relations CRISIL Limited D: +91 22 3342 1818 B: +91 22 3342 3000 naireen.ahmed@crisil.com</p> <p>Vinay Rajani Media Relations CRISIL Limited D: +91 22 3342 1835 M: +91 91 676 42913 B: +91 22 3342 3000 vinay.rajani@ext-crisil.com</p>	<p>Rahul Guha Director - CRISIL Ratings CRISIL Limited D:+91 22 4097 8320 rahul.guha@crisil.com</p> <p>Neha Sharma Associate Director - CRISIL Ratings CRISIL Limited D:+91 79 4024 4509 neha.sharma@crisil.com</p> <p>Gaurav Gupta Rating Analyst - CRISIL Ratings CRISIL Limited D:+91 79 4024 4504 Gaurav.Gupta1@crisil.com</p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com</p> <p>For Analytical queries: ratingsinvestordesk@crisil.com</p>

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