

October 20, 2023

B Fouress (P) Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term- Fund based - Cash credit	4.00	4.00	[ICRA]BBB- (Stable); reaffirmed
Short term- Non fund based- Others	83.00	71.00	[ICRA]A3; reaffirmed
Unallocated amount	55.00	67.00	[ICRA]BBB- (Stable)/[ICRA]A3; reaffirmed
Total	142.00	142.00	

*Instrument details are provided in Annexure-1

Rationale

The reaffirmation of the ratings considers the established position and long track record of B Fouress (P) Limited (BFPL) in executing electro-mechanical contracts for small hydropower projects in the domestic and overseas markets, reflected in the healthy order inflow over the past fiscals and a robust order backlog. The ratings favourably factor in the company's moving order book position of Rs. 518.9 crore as on June 30, 2023 (3.8x operating income of FY2023), which provides revenue visibility in the near to medium term. Further, the company has addressed nearly ~Rs. 250.0 crore of enquiries and the conversion of even a part of these shall expand the order book though its execution remains a key monitorable. The absence of long-term debt obligations on the company's books also provides comfort from a credit perspective.

The ratings, however, are constrained by the exposure of BFPL's operations to the risks associated with the implementation of small hydropower projects, which has moderated the company's revenue over the past few fiscals and resulted in a range-bound scale of operations. Moreover, delays in project approvals and execution in some overseas markets like Nepal and Vietnam have resulted in sizeable non-moving orders. Difficult terrain, delay in the completion of civil works and funding issues may also lower the execution pace and are a drag on the revenue prospects. Further, a sizeable proportion of the outstanding orders are from the export markets such as Vietnam and Nepal, which are mostly LC-backed aided by customer advances.

The ratings continue to be constrained by the company's stretched receivable cycle with sizeable overdue receivables and retention money amid the slow moving/halted projects, which exert pressure on the company's cash flows. ICRA, however, notes that the company has been making constant efforts to streamline its overdue debtor position through favourable arbitration directives and recovery measures, which will be a key monitorable. Further, the company's profitability remains moderate because of high overhead costs and intense competitive pressure both in the domestic and the overseas markets, besides instances of bad debt recognition and unfavourable litigation outcomes weighing on profits in select years. In addition, the ratings are affected by the exposure of the company's profitability to the volatility in steel prices as there is a high proportion of fixed-price orders. The risk is moderated to a certain extent by the back-to-back contracts signed with its suppliers.

The Stable outlook on the [ICRA]BBB- rating reflects ICRA's opinion that BFPL's credit profile is expected to remain stable, backed by the expected improvement in the execution of the moving order book and operating profitability levels.

Key rating drivers and their description

Credit strengths

Established presence as turnkey contractor in small hydropower industry - The company has a long track record in executing electro-mechanical contracts in the small hydropower sector in domestic and overseas markets. The key overseas markets of the company include Vietnam, Nepal, Albania and other Latin American countries. Around ~86% of the company's revenue was from the execution of export orders in FY2023.

Reasonable order book position provides revenue visibility - The company has a strong outstanding order book of Rs. 745.5 crore as on June 30, 2023. Though the order backlog comprises certain non-moving deals, the order book for live contracts was healthy at Rs. 518.9 crore (3.8x operating income of FY2023) as on June 30, 2023, providing revenue visibility for the near to medium term. Further, ICRA notes that the company has orders of ~Rs. 250.0 crore in the pipeline, which provide medium-term revenue visibility and shall further strengthen its order book position. ICRA notes that 30% of the company's outstanding order book as on June 30, 2023 constitutes non-moving orders and will remain a drag on its revenue growth prospects. However, the timely receipt of regulatory approvals and funding by clients poses a challenge in translating the pending order book into revenues and may also result in the conversion of certain live orders into non-moving orders and thus remains a key rating monitorable.

Credit challenges

Exposure to execution risks associated with small hydro projects - The revenue prospects are linked to the pace of execution in the small hydro industry, which faces challenges owing to delays in approvals, difficult terrain, slow completion of civil works and funding issues. This is also evident from the sizeable non-moving projects in the company's order book (30% of the outstanding order book as on June 30, 2023). ICRA expects most of the larger projects on the company's order book to witness traction with healthy order inflow witnessed in FY2023 and Q1 FY2024. Nevertheless, any significant delays in execution might impact its accruals and liquidity position.

Modest financial risk profile - BFPL's financial risk profile remains modest, given the moderate scale of operations and net worth of Rs. 50.0 crore as on March 31, 2023. Further, intense competition and the raw material fluctuation have led to weak profitability levels over the years, with the operating margin in a range of 1.0-3.8% over the past few fiscals. However, ICRA notes that the company's profitability has improved in FY2022-FY2023, led by selective order booking with higher contribution margin. Additionally, the presence of limited debt on its books provides further comfort to the overall financial risk profile of the company.

Lumpiness in revenues and volatility in profitability - BFPL's order book is impacted by the business prospects of the hydropower segment – greenfield and rehabilitation projects. The company's operating profit margins are susceptible to the challenges of timely execution of orders and the volatility in the prices of key raw materials used to manufacture turbines, given the relatively long project execution cycle and fixed-price nature of some contracts. Nonetheless, the risk is mitigated to some extent as the company secures back-to-back orders with suppliers based on firm orders received from customers along with advances. However, the risk remains heightened for the delayed contracts. Also, BFPL derives majority of its revenues from the overseas market. Hence, the adverse movements in forex may impact the profitability of the overseas projects.

Exposed to execution risks and high competitive intensity - BFPL remains exposed to execution risks inherent in hydropower projects, especially during the preliminary stages. Further, intense competition in both the domestic and international markets can be a drag on the company's performance in securing large orders and improving the profit margins due to pricing pressures.

Liquidity position: Adequate

The liquidity position of BFPL is adequate, given the absence of any long-term debt obligations with modest capex plans and free cash and bank balances of Rs. 11.4 crore as on June 30, 2023. The receipt of mobilisation advances for orders also supports the company's overall liquidity profile. ICRA notes that the timely execution of orders would aid the generation of healthy cash accruals and the realisation of long-standing receivables and retention money would ease the liquidity position further.

Rating sensitivities

Positive factors – The ratings could be upgraded in case of a sustained revenue and profitability growth, along with an improvement in the receivable cycle and liquidity position. A specific trigger for an upgrade would be an interest coverage of more than 3.5 times on a sustained basis.

Negative factors – Pressure on BFPL's ratings could arise in case of a deterioration of the company's sales, profitability and debt protection metrics owing to a slowdown in order execution. Further, any stretch in the working capital cycle that weakens the liquidity cycle may result in a downgrade. A specific trigger for a downgrade would be an interest coverage of less than 2.8 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Company Support	Not Applicable
Consolidation/Standalone	The rating is based on the company's standalone financial profile

About the company

B Fouress (P) Limited (BFPL) was formed in 1983 as a 62:38 joint venture between the Fouress Group and Boving & Company Limited, UK, to operate in the small-scale hydropower industry. Later, the share of Boving & Company Limited was acquired by GE Energy, Norway. BFPL bought out the share of GE in September 2008 and also changed its name to B Fouress (P) Limited (from Boving Fouress Private Limited). BFPL provides water-to-wire equipment. Additionally, it provides complete service to small hydroelectric power stations - from the selection of machines to the commissioning of power plants on a turnkey basis. The scope of turnkey contracts taken by the company includes design & engineering, installation & commissioning and modernisation & refurbishment of small hydro plants and service support for the operating plants. BFPL has a full-fledged turbine manufacturing facility at Hoskote near Bengaluru. Its product range includes small hydro turbines of both configurations (i.e. horizontal and vertical) of all kinds that include Kaplan, Semi-Kaplan, Propeller, Francis and Pelton turbines. The unit turbine capacity ranges from 250 KW to 20,000 KW.

Key financial indicators

B Fouress (P) Limited (Standalone)	FY2021(A)	FY2022(A)	FY2023 (A)
Operating income (Rs. crore)	135.7	159.8	136.8
PAT (Rs. crore)	4.0	5.5	5.7
OPBDIT/OI (%)	3.76%	5.13%	5.17%
PAT/OI (%)	2.92%	3.42%	4.16%
Total outside liabilities/Tangible net worth (times)	2.40	2.86	2.00
Total debt/OPBDIT (times)	0.00	0.37	0.46
Interest coverage (times)	1.74	2.58	1.58

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years				
	Type	Amount rated (Rs. crore)	Amount outstanding (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023		Date & rating in FY2022	Date & rating in FY2021	
				Oct 20, 2023	Sep 30, 2022	May 06, 2022	Sep 28, 2021	May 13, 2020	
1 Fund based – Cash credit	Long term	4.00	-	[ICRA] BBB- (Stable)	[ICRA]BBB- (Stable); removed from 'ISSUER NOT COOPERATING' category	[ICRA]BBB- (Stable) ISSUER NOT COOPERATING	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	
2 Non fund based- Others	Short term	71.00	-	[ICRA] A3	[ICRA]A3; removed from 'ISSUER NOT COOPERATING' Category	[ICRA]A3 ISSUER NOT COOPERATING	[ICRA] A3	[ICRA] A3	
3 Unallocated amount	Long term/ Short term	67.00	-	[ICRA]BBB- (Stable)/ [ICRA]A3	[ICRA]BBB- (Stable)/ [ICRA]A3; removed from 'ISSUER NOT COOPERATING' category	[ICRA]BBB- (Stable)/ [ICRA]A3 ISSUER NOT COOPERATING	[ICRA]BBB- (Stable)/ [ICRA]A3	[ICRA]BBB- (Stable)/ [ICRA]A3	

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term- Fund based – Cash Credit	Simple
Short term- Non-fund based - Others	Very Simple
Long term/Short term- Unallocated Limits	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long term - Fund based – Cash credit	-	-	-	4.00	[ICRA]BBB- (Stable)
NA	Short term- Non-fund-based- Others	-	-	-	71.00	[ICRA] A3
NA	Long term/Short term- Unallocated limits- Others	-	-	-	67.00	[ICRA]BBB- (Stable)/[ICRA] A3

Source: B Fouress (P) Limited

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-2: List of entities considered for consolidated analysis: Not Applicable

ANALYST CONTACTS

Sabyasachi Majumdar
+91-124-4545304
sabyasachi@icraindia.com

Anupama Arora
+91-124-4545303
anupama@icraindia.com

Tanya Agarwal
+91-124-4545844
tanya.agarwal@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)
info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



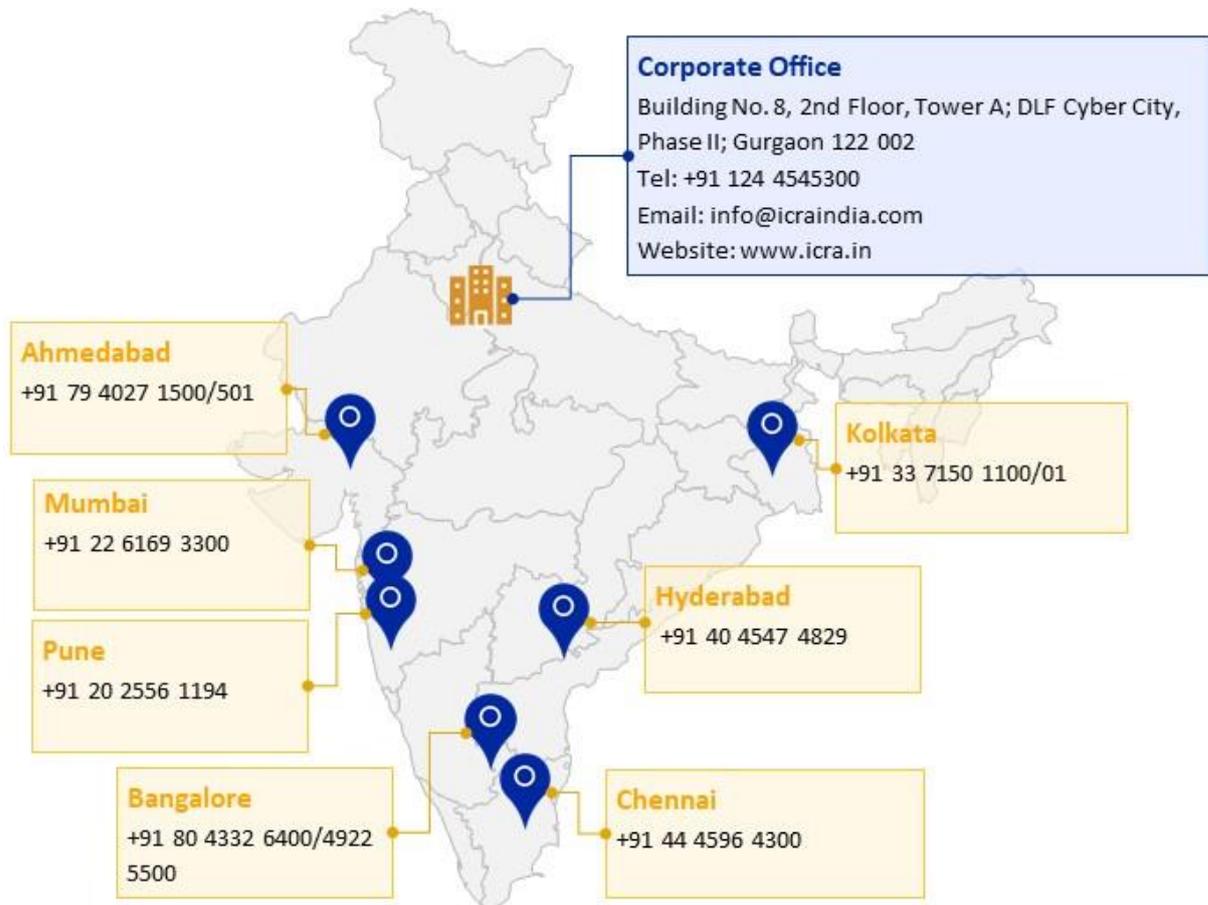
Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2023 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.