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Howrah Bridge Makers Swim Out of Red

Orders to revamp & build bridges help Braithwaite Burn & Jessop turn around with ₹5-cr profit & target ₹500-cr turnover

DEBJOY SENGUPTA
KOLKATA

Braithwaite Burn & Jessop Construction Co (BBJ), the company that built the Howrah Bridge over the river Ganga, has turned around after years of sickness. During 2011-12, it made a ₹5-crore profit and is now looking at ₹500-crore turnover by 2015, while its order book is about ₹450 crore.

BBJ was floated in 1935 to build the bridge. Rechristened Rabindra Setu, this piece of marvel which connects Kolkata with Howrah district in West Bengal, stood the test of time with flying colours, but its creator BBJ turned sick because of financial problems and saw its networth fully eroded, forcing it to move into obscurity.

A small ₹3.88-crore loan from its sister concerns had swelled to ₹54.61 crore for non-payment, making it sick and eroding its networth. This made it ineligible to participate in any government tenders. With the company being barred from bidding for projects, its income suffered further, pulling it into a financial mess. "Ever since BBJ was taken over by the government in 1987 and made Bharat Bhari Udyog's subsidiary, it could never break even due to its high interest liability burden, high overheads, mediocre production and dwindling sales. It was thus also unable to approach financial institutions for working capital. It turned sick and was referred to the Board for Reconstruction of Public Sector Enterprises (BRPSE)," said BBJ Chairman Saibal Baul.

Its financial condition dipped in the first place because its promoters. Braithwaite, Burn Standard and Jessop were more interested in BBJ securing orders for bridges which would in turn give them orders for fabrication. BBJ rarely got funds from its parents and turned sick even before being taken over by the government. By 2003-04, the accumulated losses of BBJ touched ₹30.73 crore.

Prospects of BBJ getting adequate orders for building bridges brightened during 2004-05 when the government decided to revamp all its early steel bridges and construct new ones on the Ganga, Mahanadi and the Kosi.

Accordingly, a restructuring proposal was forwarded by the department of heavy industries to the BRPSE. It involved converting ₹13.88 crore of loan and partial interest into equity, partial waiver of interest liability of about ₹30.73 crore and conversion of partial interest of ₹10 crore into zero-rate debentures. It was adopted during 2004-05. And, BBJ's networth soon turned positive. It also made a small post-tax profit of ₹0.33 crore. But its net losses were yet to be wiped off.

"Improved networth helped the company participate in tenders for major projects, including those funded by the ADB. Improved credit worthiness enabled us to approach financial institutions for fund and non-fund-based credit facilities," said Baul.

Subsequently, BBJ approached its ministry for a small ₹7-crore capex and prepared a business plan for five years through a consultant. It bought necessary equipment with the fund and started competing for medium-size projects. It also diversified into construction of fishing harbours, civil construction and piling, strengthening and revamping of bridges, replacing early steel bridges with new ones without disturbing traffic.

"We also tied up with reputed firms for different projects which helped us securing order for the 4-km-long Munger Bridge estimated at ₹800 crore, secure major steel bridge orders from Delhi Metro Railway Corp (DMRC). The DMRC orders helped BBJ secure orders for Mumbai Metro," said Baul.

BBJ was, however, buffered from cost escalation as each of its contracts had a cost escalation component which took care of the rise in costs in case of delay. All its orders, either from the railways or the metro railways, had cost escalation components which took care of the rise in costs due to delays.

Every year of profits since 2004-05 has helped the company wipe off its entire accumulated losses by 2009-10.

BBJ's 100-odd very able and experienced engineers stayed with the company when times were bad. Added to this was a strong 600-700 contract workforce that is experienced in building bridges. Now orders have started coming in and the company is looking at building bridges in Bangladesh, Nepal and Sri Lanka. "Subsequently, we developed our own fabrication yard in Kolkata and it reduced our dependence on our sister concerns. During 2011-12, we achieved a ₹200-crore turnover and our order book is ₹450 crore. We hope to touch ₹500-crore turnover by the next couple of years," said Baul.

The company is now trying to secure orders from neighbouring Bangladesh and Bhutan.