**October 28, 2015**

| Facilities | Amount (Rs. Crore) | Rating |
|---|---|---|
| Cash Credit | 3.00 | SMERA BB/Stable (Assigned) |
| Bank Guarantee | 15.00 | SMERA A4+ (Assigned) |

SMERA has assigned a ratings of **'SMERA BB' (read as SMERA double B)** and **'SMERA A4+' (read as SMERA A four plus)** to the Rs. 18.00 crores bank facilities of Bhumi Procon Private Limited (BPPL). The outlook is **'Stable'.** The rating derives comfort from the company's reputed customer base, moderate order book position and experienced management. However, the rating is constrained by uneven revenue trend, uneven profit margins and low networth base. The rating also factors the geographic concentration risk.

BPPL is a Vadodara-based civil construction company. BPPL has a reputed clientele with work orders executed for Larsen & Toubro Limited, ONGC Limited, India Oil Corporation Limited, Gail India Limited, Western Railway among others. The company has a moderate order book position with 16 projects in hand, total value of which is ~Rs. 139 crores. Of that, BPPL has completed and booked revenue to the tune of Rs. 45.43 crores up to March 2015 and balance is expected to be booked within the next two financial years.

BPPL benefits from its experienced management. Mr. Sanjay A. Snaghavi and Mr. Alkesh J. Shah (Directors) have around 15 years of experience in the civil construction business.

BPPL operates on a moderate scale with revenue base of ~Rs. 73.83 crore in FY2014-15. The revenue is uneven due to tender based business. In FY2013-14, BPPL registered a sharp decline in the revenues of ~ Rs. 24.74 crore due to project delay. The same is booked in FY2014-15. Further, all projects of BPPL are concentrated only in Gujarat making the company susceptible to geographic concentration risk. The profit margins of BPPL are uneven. PAT margin has fallen from 5.82 per cent in FY2012-13 to 2.63 per cent in FY2014-15.

BPPL has a low networth base of Rs. 11.18 crores. The same includes unsecured loans which are subordinated to bank debt to the tune of Rs.6.19 crore taken as quasi equity as on March 31, 2015.

**Outlook: Stable**

SMERA believes that BPPL will continue to benefit over the medium term on the back of healthy business prospects and a moderate order book position. The outlook may be revised to 'Positive' if the company generates larger than expected cash flows with successful sourcing and execution of large projects. Conversely, the outlook may be revised to 'Negative' in case there are delays in project execution leading to low profitability.

**Rating Sensitivity Factors**

- Timely completion of projects
- Efficient working capital management
- Maintaining profitability

**About the Company**

BPPL is a Vadodara-based civil construction company. The firm was initially a partnership firm under the name of 'Bhumi Constructions' and later in 2013, was converted to private limited company. The directors of the company are Mr. Sanjay A. Snaghavi and Mr. Alkesh J. Shah

For FY2014-15, BPPL reported profit after tax (PAT) of Rs.1.94 crore on operating income of Rs.73.83 crore as compared with PAT of Rs.1.06 crore on operating income of Rs.42.30 crore for FY2013-14.

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