

Press Release

Bhumi Procon Private Limited (BPPL)

19 January, 2017

Rating Upgraded

Total Bank Facilities Rated*	Rs.25.00 Cr
Long Term Rating	SMERA BB+/Stable (Upgraded from SMERA BB/Stable)
Short Term Rating	SMERA A4+ (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has upgraded the long term rating of Bhumi Procon Private Limited (BPPL) to '**SMERA BB+**' (**read as SMERA double B plus**) from SMERA BB (read as SMERA double B) and reaffirmed the short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs.25.00 crore bank facilities. The outlook is '**Stable**'.

The rating upgrade is on account of the stable growth of revenues, improvement in margins and healthy financial risk profile. SMERA expects the growth to sustain in the medium term.

BPPL is a Vadodara-based civil construction company. The company was initially a partnership firm under the name of 'Bhumi Constructions' and later in 2013, was incorporated as a private limited company.

List of key rating drivers and their detailed description

Strengths:

Experienced management: The management is headed by Mr. Sanjay Sanghavi and Mr. Alkesh Shah, graduates in civil engineering with more than a decades experience in the said line of business.

Stable growth of revenues and improvement in profit margins: For FY2015-16 the company registered revenue of Rs.77.31 crore as against Rs.73.83 crore for FY2014-15. Further, operating margins increased from 6.16 per cent in FY2014-15 to 7.59 per cent in FY2015-16 on account of decrease in raw material cost.

Healthy financial risk profile: BPPL's financial risk profile continues to be healthy marked by networth of Rs14.49 crore as on 31st March 2016. The gearing stood low at 0.02 times as on 31st March 2016 (0.28 times as on March 31, 2015). The interest coverage ratio stood healthy at 3.10 times for FY2015-16 and TOL/TNW at 1.51 times as on March 31, 2016.

Moderate order book: BPPL has a moderate order book position with 14 projects in hand, the total value of which is ~Rs. 136 crore. Of that, BPPL has completed and booked revenue to the tune of Rs.66.89 crore up to December 2016 and the balance is expected to be booked within the next two financial years.

Reputed customer base and diversified clientele base: Having executed orders for Larsen & Toubro Ltd., ONGC Ltd., India Oil Corporation among others BPPL has a reputed and well diversified clientele owing to their reputation. The company has executed projects for government organisations as also private companies reducing the risk of customer concentration.

Weaknesses:

Geographic concentration: Most of the projects (past and present) are within Gujarat thus exposing itself to geographic concentration risk.

Tender based operations: The company's performance is also susceptible to the tender based nature of activities and intense competition among players bidding for government contracts.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the company.

Applicable Criteria

- Infrastructure Entities: <https://www.smerra.in/criteria-infra.htm>
- Application of Financial Ratios and Adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smerra.in/criteria-default.htm>

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.

About the Company

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

For FY2015-16, BPPL reported profit after tax (PAT) of Rs.2.17 crore on operating income of Rs.77.31 crore as compared with PAT of Rs.1.94 crore on operating income of Rs.73.83 crore for FY2014-15. The net worth stood at Rs.14.49 crore as on March 31, 2016 as compared to Rs.11.18 crore as on March 31, 2015.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	4.00 (Revised from 3.00)	SMERA BB+/Stable (Upgraded)	-	-	28 October, 2015	SMERA BB/Stable (Assigned)	-	-
Bank Guarantee	ST	21.00 (Revised from 15.00)	SMERA A4+ (Reaffirmed)	-	-	28 October, 2015	SMERA A4+ (Assigned)	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	N.A	N.A	N.A	4.00	SMERA BB+/Stable (Upgraded)
Bank Guarantee	N.A	N.A	N.A	21.00	SMERA A4+ (Reaffirmed)

Note on complexity levels of the rated instrument:
<https://www.smera.in/criteria-complexity-levels.htm>
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ABOUT SMERA

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