

### Bhavna Engineering Company Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	2.00	SMERA BB+/Stable (Assigned)
Secured Bill Purchase	2.90*	SMERA A4+ (Assigned)
Overdraft	2.00	SMERA BB+/Stable (Assigned)
Bank Guarantee	7.00^	SMERA A4+(Assigned)

\*includes sublimit of CCBD facility upto Rs. 2.90 Crore

^includes sublimit of ILC facility upto Rs. 1.00 Crore

SMERA has assigned long term rating of '**SMERA BB+**' (read as **SMERA double B plus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the above mentioned Rs.13.90 crore bank facilities of Bhavna Engineering Company Private Limited (BECPL). The outlook is '**Stable**'.

The ratings are supported by the experienced management, healthy order book and comfortable financial risk profile. However, the ratings are constrained by the moderate revenue scale apart from customer and geographical concentration risks.

BECPL is an Ahmedabad-based company, engaged in the construction of roads and canals. The company benefits from its experienced management. Mr. Jayantibhai Mafatlal Patel, Promoter has experience of over four decades in the construction industry. The company has an order book of ~Rs.84.95 crore out of which orders worth ~Rs.50.00 crore are to be executed in FY2017 thus creating medium term revenue visibility for the company.

The gearing of the company stands comfortable at 0.11 times as on March 31, 2016 (provisional) after considering unsecured interest bearing loans of Rs.3.00 crore as quasi equity. The interest coverage ratio stands comfortable at 5.60 times in FY2016 (provisional).

However, the company has moderate revenues of Rs.42.40 crore in FY2016 when compared to Rs.35.56 crore in FY2015. Further, as on July, 2016 (April to July, 2016) the company earned revenues of Rs.16.72 crore. BECPL largely caters to government bodies in Gujarat such as Sardar Sarovar Narmada Nigam Limited and Ahmedabad Municipal Corporation. Further, the company earns more than 62 per cent revenues through sub contracts from Sadbhav Engineering Limited thus, exposing itself to geographical and customer concentration risk.

#### Rating Sensitivity Factors

- Increasing scale of operations and profitability
- Geographical diversification
- Securing orders with healthy margins amidst intense competition in tender bidding

#### Outlook – Stable

SMERA believes BECPL will maintain a stable outlook in the medium term on account of its experienced management and healthy order book providing revenue visibility over the medium term. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' if the company registers lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile or higher than expected working capital requirements.

## About the Company

BECPL, an Ahmedabad-based company established in 1987 as a partnership firm was promoted by Mr. Jayantibhai Patel. It was reconstituted as private limited in 2014. The company is engaged in the construction of roads and canals. The day-to-day operations are managed by Mr. Jayantibhai Mafatlal Patel and Mr. Kamalkumar Jayantibhai Patel.

For FY2015-16 (provisional), BECPL reported profit after tax (PAT) of Rs.1.20 crore on operating income of Rs.42.40 crore, as compared with profit after tax (PAT) of Rs.1.24 crore on operating income of Rs.35.56 crore in FY2014-15.

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## ABOUT SMERA

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