

Press Release

Bagkiya Constructions Private Limited

29 May, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 38.00 Cr.
Long Term Rating	SMERA BB-/Stable (Assigned)
Short Term Rating	SMERA A4+ (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (**SMERA double B minus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the above mentioned bank facilities of Bagkiya Constructions Private Limited (BCPL). The outlook is '**Stable**'.

BCPL is a Goa-based company incorporated in 2006 by Mr. K. Bagkiya Durai and Mrs. Siva Ranjani Durai. The company undertakes civil construction contracts for construction of roads, bridges and dams in Karnataka, Goa and Tamil Nadu.

List of key rating drivers and their detailed description

Strengths:

Established track record of operations and experienced promoters:

BCPL is engaged in civil construction for almost a decade. The company has established relations with customers and suppliers. Further, the promoter, Mr. K. Bagkiya Durai possesses more than two decades of experience in the civil construction industry.

Improvement in revenue supported by healthy order book position

BCPL reported operating income of Rs.33.63 crore in FY2015-16 as compared to Rs.17.35 crore in FY 2014-15. Further, the company reported operating income of Rs. 52.00 crore in FY2016-17 (provisional). The growth in revenue is supported by healthy order book position of Rs.197.88 crore expected to be completed over the next 24 months.

Moderate financial risk profile

BCPL's financial risk profile is moderate marked by net worth of Rs. 8.11 crore as on 31 March 2017 (Provisional) as against Rs.4.39 crore in the previous year. The gearing stood at 1.61 times as on 31 March, 2017 (Provisional) as compared to 2.27 times as on 31 March, 2016. The total debt of Rs. 13.03 crore as on 31 March, 2017 (Provisional) includes long term debt of Rs. 8.47 crore and short term debt of Rs. 4.56 crore. The Interest Coverage ratio (ICR) stood at 4.66 times for FY2016-17 (Provisional) as compared to 4.64 times for FY2016. The Debt Service coverage ratio (DSCR) stood at 1.20 times for FY2016-17 (Provisional) as compared to 4.64 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.33 times for FY2016-17 (Provisional) as compared to 0.25 times in the previous year.

Weaknesses:**Profitability is susceptible to volatility in raw material prices**

BCPL reported operating margin of 12.21 per cent in FY2015-16 as compared to 9.76 per cent in FY2014-15 and 11.21 per cent in FY2013-14. The uneven trend in operating margins is mainly on account of volatility in the raw material cost. The raw material procured by the company includes iron, steel and cement, the prices of which are highly volatile in nature.

Competitive and fragmented industry

The civil construction industry is marked by the presence of several mid to big sized players. Risk becomes more pronounced as tenders are based on the minimum amount of bidding of contracts.

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

Applicable Criteria

Infrastructure Entities - <https://www.smerra.in/criteria-infra.htm>

Default Recognition - <https://www.smerra.in/criteria-default.htm>

Application of Financial Ratios and Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Outlook: Stable

SMERA believes that BCPL will maintain a stable outlook in the medium term on account of its experienced management. 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' in case of lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile or higher than expected working capital requirements.

About the Rated Entity -Key Financials

For FY2016-17 (Provisional), the company registered net profit of Rs.3.41 crore on operating income of Rs.52.62 crore as against net profit of Rs.1.84 crore on operating income of Rs.33.63 crore in the previous year. The net worth stood at Rs.8.11 crore as on 31 March, 2017 (Provisional) as compared to Rs.4.39 crore as on 31 March, 2016.

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

Any other information: Not Applicable

Rating History for the last three years: Not Applicable

***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	2.00	SMERA BB-/Stable
Bank Guarantee	N.A	N.A	N.A	10.00	SMERA A4+
Letter of Credit	N.A	N.A	N.A	1.00	SMERA A4+
Proposed Bank Guarantee	N.A	N.A	N.A	25.00	SMERA A4+

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

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Aishwarya Phalke, Rating Analyst Tel: 022-67141156 Email: aishwarya.phalke@smera.in	

ABOUT SMERA

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