

Press Release

Bhavna Property Developers Limited

October 09, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (**read as SMERA BB**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 20.00 crore bank facilities of Bhavna Property Developers Limited. The outlook is '**Stable**'.

Bhavna Property Developers Limited (BPDL), incorporated in 1995 is a Gujarat-based company promoted by Mr. Karsanbhai M. Prajapati. The company undertakes civil construction contracts for the Gujarat government. BDPL has constructed staff quarters, executed projects for Roads and Building Department (R&B), Gujarat Industrial Development Corporation (GIDC) and Gujarat State Police Housing Corporation Limited (GSPHCL). BDPL is registered as Class AA+ Special Category I contractor with Roads and Building Department, Government of Gujarat.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

BPDL has been executing civil construction contracts in Gujarat for more than three decades. The company is led by Directors, Mr. Karsanbhai M. Prajapati, Mrs. Nitaben Prajapati and Mr. Mineshkumar Prajapati who possess around three decades of experience in the civil construction industry.

- **Moderate financial risk profile, efficient working capital management**

The financial risk profile is moderate marked by tangible networth of Rs. 7.06 crore (Provisional) as on 31 March, 2017 as against Rs.6.23 crore in the previous year. The gearing stood at 1.08 times on 31 March, 2017 (Provisional) as against 1.02 times in the previous year. The Interest coverage ratio (ICR) stood at 2.82 times for FY2017 (Provisional) as against 2.67 times in FY2016. The total liabilities to tangible networth (TOL/TNW) stood at 1.18 times as on 31 March, 2017 (Provisional) as against 1.13 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.16 times in FY2017 (Provisional) compared to 0.15 times in FY2016. Going forward, SMERA expects the company to maintain its financial risk profile in the absence of major debt funded capex plan. The company continues to efficiently manage its working capital requirement with working capital cycle days at 26 (Provisional) for FY2017 as against 21 days in the previous year.

Weaknesses

- **Intense competition from established players**

BPDL is exposed to intense competition from organised and unorganised players in the civil construction industry.

- **Uneven revenue trend due to tender based operations**

BPDL registered operating income of Rs. 28.91 crore for FY2017 (Provisional) as against Rs.29.68 crore for FY2016 and Rs. 23.99 crore for FY2015. The company exhibits uneven trend in its operating income. Besides, the tender-based business makes it vulnerable to order cyclical. Further, the operations are limited only to Gujarat thereby exposing the company to geographic concentration risk. However, the company has reported operating income of Rs. 13.00 crore during the period April, 2017 to August, 2017. BPDL has unexecuted order book position of Rs. 35.00 crore to be executed by March, 2018 that provides moderate revenue visibility over the medium term.

• Profitability susceptible to fluctuations in raw material prices

The prices of the main raw materials - iron, steel and cement are highly volatile in nature with raw material cost constituting around 61 percent of the total revenue. Hence, any adverse movement in raw material prices can impact profitability. However, the company reported EBITDA margin of 7.77 percent for FY2017(Provisional) as against 7.09 percent in the previous year.

Analytical Approach

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

Outlook: Stable

SMERA believes that the outlook on BPDL's rated facilities will remain stable over the medium term on account of its promoter's extensive experience and established operational track record. The outlook may be revised to 'Positive' in case of significant growth in revenue and profitability while effectively managing its liquidity position. Conversely, the outlook may be revised to 'Negative' in case of decline in net cash accruals, deterioration in the financial and liquidity profile due to higher than envisaged working capital requirements.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), BPDL reported profit after Tax (PAT) of Rs. 0.84 crore on operating income of Rs. 28.91 crore as against PAT of Rs. 0.69 crore on operating income of Rs. 29.68 in the previous year. The net worth stood at Rs. 7.06 crore as on 31 March, 2017 as against Rs. 6.23 crore in the previous year.

Status of non-cooperation with previous CRA (if applicable)

CRISIL, vide release dated December 28, 2016 has declared BDPL non-cooperative on account of lack of adequate information required for monitoring of ratings.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto 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. Cr.)	Ratings/Outlook
Cash Credit	Not	Not	Not	15.00	SMERA BB /

	Applicable	Applicable	Applicable		Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4+

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ABOUT SMERA

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