



Press Release
B P CONSTRUCTION
August 07, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	9.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	33.00	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	42.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B Minus**) the shortterm rating of '**ACUITE A3**' (read as **ACUITE A Three**) on the Rs. 42.00 Cr bank facilities of B. P. Construction (BPC). The outlook is '**Stable**'.

Rationale for Rating

The ratings reflect firm's long operational track record of more than 25 years along with a healthy order book position of Rs 841 Cr as on June 2023. The current order book provides strong revenue visibility over the medium term. The ratings also factor in firm's healthy financial risk profile marked by its healthy network and a moderate capital structure with a gearing ratio of 0.14 times as on March 31, 2023 (Prov). These rating strengths are however, partially offset by the firm's working capital intensive nature of operations and geographical concentration.

About the Company

M/s. B. P. Construction (BPC) was incorporated by Mr Bhim Prasad in 1998 as a partnership firm. The principal activity of the firm is construction of Government civil, electrical, building, road work & plumbing work etc. The firm is a registered contractor with various State Government departments in Jharkhand, Bihar, Madhya Pradesh and Odisha. The firm's registered office is in Ranchi, Jharkhand. BPC is a government approved contractor. It is associated with the construction work of various Government Departments.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of BPC to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and established relationship with customers

BPC has a track record of more than two decades in the construction sector. The firm is promoted by Mr. Bhim Prasad and Janki Devi, who have an experience of over two decades in civil construction work. They are well supported by a team of experienced and qualified professionals. It has successfully completed various projects under different departments of

government like BHEL, NPCC, M.P. Public Works Deptt., Bhopal, C.G. Public Works Deptt., South Eastern Railway, C.G. Water Resources Division, C.G. Housing Board and NHAI. The

long-standing experience of the promoter and long track record of operations has helped the company to establish comfortable relationships with key suppliers and reputed customers.

Acuité believes that the long track record and rich experience of the promoters augur well for the relationship with their key suppliers and customers.

Sound business risk profile supported by healthy order book position

The firm witnessed a consistency in its scale of operations marked by operating income of Rs 301.50 Cr in FY2023 (Prov) as against Rs.293.19 Cr in FY2022. The sustained top line is supported by better execution of orders. The EBITDA margin stood at 11.58 percent in FY23 (Prov) vis-à-vis 13.61 percent in FY22. The slight moderation in margin is on account of site mobilization. Though firm's profitability is exposed to volatility in raw material prices, BPC have an in-built price escalation clause for major raw materials (such as steel, cement, fuel and bitumen) in most of its contracts. PAT Margin stood at 11.24 percent in FY23 (Prov) vis-à-vis 13.61 percent in FY22. The fall in margin is due to increase in interest cost and depreciation. Going forward, the improvement in profitability margins will remain a key rating sensitivity. The company has a healthy order book position with unexecuted orders in hand worth around Rs. 841.03 crore as on June 30, 2023, which are to be executed in the upcoming one to three years, thereby providing satisfactory revenue visibility in the medium term.

Acuité believes that the company may continue to sustain its revenue with a healthy order book position and be able to maintain its business risk profile over the medium term.

Healthy financial risk profile

The firm's financial risk profile is healthy marked by moderate networth, low gearing and strong debt protection metrics. The tangible net worth of the firm improved to Rs.72.98 Cr as on March 31, 2023 (Prov) from Rs.50.42 Cr as on March 31, 2022 due to accretion to profits. Gearing (Debt/Equity) of the firm stood below unity at 0.14 times as on March 31, 2023(Prov) as against 0.20 times as on March 31, 2022 due to low dependence on external debt. Going forward, the gearing is expected to be at the same level in the absence of any major debt funded capex plans. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.01 times as on March 31, 2023 (Prov) as against 1.59 times as on March 31, 2022. The - debt protection metrics of the firm is strong marked by Interest Coverage Ratio at 25.59 times as on March 31, 2023 (Prov) and Debt Service Coverage Ratio at 11.72 times as on March 31, 2023 (Prov). The Net Cash Accruals/Total Debt (NCA/TD) stood at 3.40 times as on March 31, 2023 (Prov).

Acuité believes that going forward the financial risk profile of the firm is likely to be sustained, backed by steady accruals and no major debt funded capex plan over the near term.

Weaknesses

Working Capital Intensive nature of Operations

The working capital management of the firm is intensive marked by GCA days of 109 days in FY23 (Prov) as against 125 days in FY22. The high GCA days are mainly on account of significant security deposits in the form of retention money kept with tendering authorities. However, both the debtor and inventory period stood low in FY2023. The debtor period stood at 18 days in FY2023 (Prov) as against 16 days in FY2022. Further, inventory holding level improved and stood low at 5 days in FY2023 (Prov) as against 6 days in FY2022. Acuité believes that the working capital requirement is likely to remain at similar levels in the near to medium term.

Competitive and fragmented nature of industry coupled with tender based business

The firm is engaged as a civil contractor and the sector is marked by the presence of several mid to big size players. The firm faces intense competition from the other players in the sectors. Risk becomes more pronounced as tendering is based on a minimum amount of bidding of contracts and hence the company must make bid for such tenders on competitive prices, which may affect the profitability of the firm. However, this risk is mitigated to an extent due to the extensive experience of the management of over two decades in the construction industry

Rating Sensitivities

- Significant growth in revenue and profitability margin
- Elongation of working capital cycle
- Reduction in order flow

Material covenants

None

Liquidity Position Adequate

The firm's liquidity position is adequate marked by net cash accruals of Rs.35.31 Cr in FY2023 (prov) as against long term debt repayment of only Rs.1.70 Cr over the same period. Further, the firm is expected to generate a sufficient cash accruals to repay its debt obligation in near to medium term. The current ratio stood at 1.34 times as on 31st March, 2023 (Prov) as compared to 1.38 times as on 31st March, 2022. The cash and bank balances of the firm stood at Rs.0.47 Cr in FY2023 (Prov). The consolidated fund based utilisation stood at 73.24 percent for six months ended

May, 2023. However, the firm's working capital cycle is intensive in nature as reflected from Gross Current Assets (GCA) of 109 days in FY2023 (Prov) as compared to 125 days in FY2022. Acuité believes that going forward the liquidity position of the firm will be sustained backed by healthy cash accruals.

Outlook: Stable

Acuité believes BPC will benefit over the medium term from its promoters' extensive industry experience. The outlook may be revised to 'Positive' if scale of operations, profitability, and working capital cycle improve significantly, and if the company widens geographical presence. Conversely, the outlook may be revised to 'Negative' if financial risk profile weakens because of significantly low cash accrual, or sizeable working capital requirement, or debt funded capital expenditure.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	301.50	293.19
PAT	Rs. Cr.	33.88	40.75
PAT Margin	(%)	11.24	13.90
Total Debt/Tangible Net Worth	Times	0.14	0.20
PBDIT/Interest	Times	25.59	46.41

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History :

None

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	33.00	ACUITE A3 Assigned
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.32	ACUITE BBB- Stable Assigned
Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.68	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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