



**Press Release**  
**B P CONSTRUCTION**  
**February 21, 2024**

**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.16	ACUITE BBB-   Stable   Assigned	-
Bank Loan Ratings	9.00	ACUITE BBB-   Stable   Reaffirmed	-
Bank Loan Ratings	42.00	-	ACUITE A3   Assigned
Bank Loan Ratings	33.00	-	ACUITE A3   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	<b>94.16</b>	<b>-</b>	<b>-</b>

**Rating Rationale**

Acuité has reaffirmed and assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B Minus**) and the short term rating of '**ACUITE A3**' (read as **ACUITE A Three**) on the Rs. 94.16 Cr bank facilities of B. P. Construction (BPC). The outlook is '**Stable**'.

**Rationale for Rating**

The rating reaffirmation considers firm's long operational track record of more than 25 years, along with the extensive experience of management in the industry. The rating also reflects healthy order book position of Rs 1390 Cr as of 1st December 2023 primarily from Government organisations, thus providing strong revenue visibility over the medium term. . Further, the operating income grew to Rs.301.38 crore in FY2023 as against Rs.293.19 crore in FY2022. The ratings also factors in firm's healthy financial risk profile marked by its healthy network, low gearing levels of 0.14 times as on March 31, 2023 and robust debt protection metrics. The rating, however, is constrained on account of its exposure to intense competition, industrial cyclicality, geographical concentration, moderately intensive working capital operations and high dependence on fund based working capital limits.

**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.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuité 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 augurs well for the relationship with their key suppliers and customers.

### **Sound business risk profile supported by healthy order book position**

The firm recorded stable operating performance marked by its operating income of Rs 301.38 Cr in FY2023 as against Rs.293.19 Cr in FY2022. The EBITDA margin stood at 13.36 percent in FY23 vis-à-vis 13.47 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 has 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 8.51 percent in FY23 vis-à-vis 9.17 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.

Further, the firm has a healthy order book position with unexecuted orders in hand worth around Rs. 1390 Cr as of 1st December 2023 primarily from Government organisations, thus providing stronger revenue visibility over the medium term.

Acuité believes that the firm will be able sustain stable growth in its revenues on the back of healthy order book position over the medium term.

### **Healthy financial risk profile**

The firm's financial risk profile is marked by healthy net worth, low gearing and robust debt protection metrics. The tangible net worth of the firm improved to Rs.76.56 Cr as on March 31, 2023 from Rs.50.42 Cr as on March 31, 2022 due to accretion to profits. Gearing of the firm stood below unity at 0.14 times as on March 31, 2023 as against 0.17 times as on March 31, 2022 due to low dependence on external debt. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.93 times as on March 31, 2023 as against 1.59 times as on March 31, 2022. The robust debt protection metrics of the firm is marked by Interest Coverage Ratio at 29.49 times as on March 31, 2023 and Debt Service Coverage Ratio at 11.67 times as on March 31, 2023 against 45.98 times and 14.13 times as on March 31, 2022 respectively. The Net Cash Accruals/Total Debt (NCA/TD) stood at 2.54 times as on March 31, 2023 as against 3.26 times as on March 31, 2022.

Acuité believes that going forward the financial risk profile of the firm is likely to be sustained, backed by steady accruals.

### **Weaknesses**

#### **Working Capital Moderately Intensive nature of working capital operations**

The working capital management of the firm is moderately intensive marked by improved GCA days of 106 days in FY23 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 as against 16 days in FY2022. The average period allowed to customers is 20-25 days. The short receivables cycle supports the working capital management. Further, inventory holding level stood low at 8 days in FY2023 as against 6 days in FY2022. The creditor days stood at 58 days in FY2023 as against 59 days in FY2022. The average credit period allowed by suppliers is around 60 days.

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**

Growth in scale of operations while maintaining profitability margin

Elongations in working capital cycle leading to deterioration in financial risk profile and liquidity position.

### **Liquidity Position**

#### **Adequate**

The firm's liquidity position is adequate marked by sufficient net cash accruals against its maturing debt obligations. The firm generated net cash accruals in the range of Rs.27.07-27.91 Crore during FY 2022 & 2023 against its maturing debt obligations in the range of Rs.0.85-1.01 crore during same tenure. In addition, it is expected to generate a sufficient cash accrual in the range of Rs.37.98-47.80 crores against the maturing repayment obligations of around Rs.2.19-3.03 crore over the medium term. The working capital management of the firm is moderately intensive marked by improved GCA days of 106 days in FY2023 as against 125 days in FY2022. The firm maintains unencumbered cash and bank balances of Rs.0.36 crore as on March 31, 2023. The current ratio stands at 1.34 times as on March 31, 2023 as against 1.36 times as on March 31, 2022. The consolidated fund and non-fund-based limit utilization stood at 94 percent and 77 percent for the seven-month period ended December 2023.

Acuité believes that going forward the liquidity position of the firm will be sustained backed by healthy cash accruals.

### **Outlook: Stable**

Acuité believes the firm's outlook will remain 'stable' over the medium term on account of vast experience of the promoters, long execution track record, strong order book position and healthy financial risk profile. The outlook may be revised to 'Positive' in case the firm registers higher than expected growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the firm's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position or delay in completion of its projects or further deterioration in its working capital cycle.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	301.38	293.19
PAT	Rs. Cr.	25.66	26.90
PAT Margin	(%)	8.51	9.17
Total Debt/Tangible Net Worth	Times	0.14	0.17
PBDIT/Interest	Times	29.49	45.98

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

Not Applicable

### 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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Aug 2023	Term Loan	Long Term	3.68	ACUITE BBB-   Stable (Assigned)
	Bank Guarantee	Short Term	33.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB-   Stable (Assigned)
	Proposed Bank Facility	Long Term	0.32	ACUITE BBB-   Stable (Assigned)

## 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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	33.00	ACUITE A3   Reaffirmed
Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	17.00	ACUITE A3   Assigned
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE A3   Assigned
Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BBB-   Stable   Reaffirmed
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BBB-   Stable   Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.01	ACUITE BBB-   Stable   Assigned
Bank of India	Not avl. / Not appl.	Term Loan	29 Mar 2023	Not avl. / Not appl.	29 Jul 2027	Simple	1.47	ACUITE BBB-   Stable   Reaffirmed
Bank of India	Not avl. / Not appl.	Term Loan	29 Mar 2023	Not avl. / Not appl.	29 Mar 2028	Simple	1.60	ACUITE BBB-   Stable   Reaffirmed
Bank of India	Not avl. / Not appl.	Term Loan	26 Sep 2023	Not avl. / Not appl.	26 Sep 2028	Simple	0.93	ACUITE BBB-   Stable   Reaffirmed
Bank of India	Not avl. / Not appl.	Term Loan	26 Sep 2023	Not avl. / Not appl.	26 Sep 2028	Simple	1.17	ACUITE BBB-   Stable   Assigned
Bank of India	Not avl. / Not appl.	Term Loan	07 Dec 2023	Not avl. / Not appl.	07 Dec 2028	Simple	3.98	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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