



## Rating Rationale

### B P Construction

7 Feb 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 9.84 Crores of B P Construction.

### Particulars

Facility	Amount (₹ Cr)	Tenure	Rating*
Fund Based	3.34	Long Term	<b>BWR BB-</b> <b>(BWR Double B Minus)</b> <b>Outlook: Stable</b> <b>(Assigned)</b>
Non Fund Based	6.50	Short Term	<b>BWR A4</b> <b>(BWR A Four)</b> <b>(Assigned)</b>
<b>Total</b>	<b>9.84</b>	<b>INR Nine Crores and Eighty Four Lakhs Only</b>	

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results up to FY17, projected financials of B P Construction up to FY19, publicly available information and information/ clarifications provided by the firm's management.

The rating draws strength from the experience of the promoter in the construction industry, established track record, long standing relationships with customers and suppliers, comfortable capital structure, adequate debt/interest servicing capabilities and improved revenues year-on-year. However, the rating is constrained by susceptibility to the volatility in the raw material prices, highly fragmented and competitive nature of industry, tender based work awarding mechanism which restrict the margins and constitution as a partnership firm due to which the firm is exposed to the risk of withdrawal of capital by the partners.



Going forward, the ability of the company to improve revenues, profitability margins and manage working capital requirements efficiently would be the key rating sensitivities.

### **Description of Key Rating Drivers**

#### **Credit Strengths:**

- **Experience of partners:** Partners of the firm has more than two decades of experience in the industry due to which the firm benefits from the relationships with Government bodies and suppliers.
- **Above average financial risk profile:** In FY17, the firm has average capital structure which makes the firm more financially flexible. The firm has strong debt/interest coverage to service its debt or interest obligations.
- **Order Book position:** The firm's clientele includes Building and Construction Dept. Road works department, Jharkhand Police Housing Corporation Ltd, Urban Development & Housing Department etc and has a moderately strong order book for the next two financial years.

#### **Credit Risks:**

- **Constitution of the firm:** The firm is constituted as a partnership firm which is susceptible to withdrawal of capital by the partners.
- **Fluctuation in margins:** The firm gets its orders through tenders which limits the margins. Due to tender based work awarding mechanism as well as long term nature of the contracts, margins of the firm may fluctuate.
- **Highly fragmented and competitive nature of industry:** The firm operates in a highly competitive and fragmented industry due to low entry barriers and presence of large number of players.

### **Analytical Approach**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

### **Rating Outlook: Stable**

BWR believes the **B P Construction** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating



outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

### About the Firm

M/s B.P. Construction (BPC) was established in 1987 as a proprietorship concern and later on, it was reconstituted as a partnership firm in 1998. The firm has its registered address at Ranchi, Jharkhand. Mr. Bhim Prasad and Ms. Janki Devi are the present partners of the firm. BPC is engaged in civil construction and electrification for various Government departments in the state of Jharkhand and Uttar Pradesh. The firm is registered as a Class- 1A contractor with the Public Works Department (PWD), Jharkhand and a Class-1 Electrical contractor with Vidyut Vibhag, Energy Department, Government of Jharkhand for electrification work of up to 33 KV. Major clientele of the firm are Building and construction dept. Road works department, Jharkhand Police Housing Corporation Ltd, Urban Development & Housing Department (UDHD) etc.

### Firm Financial Performance

Net revenue of the firm has improved by 15.85% from Rs. 51.79 Crs in FY16 to Rs. 60.00 Crs in FY17. Net profit margin of the firm has improved from Rs. 2.00 Crs in FY16 to Rs. 2.32 Crs in FY17.

### Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
1	Fund Based	Long Term	3.34	BWR BB-(Stable) Assigned	-	-	-
2	Non Fund Based	Short Term	6.50	BWR A4 Assigned	-	-	-
	Total		9.84	<b>INR Nine Crores and Eighty Four Lakhs Only</b>			



**Status of non-cooperation with previous CRA (if applicable)-** Initially, ICRA has assigned a rating of ICRA B+ (Outlook: Stable)/A4 in August, 2016. However, due to non submission of information, ICRA has moved the ratings to Issuer Non Cooperating category in Nov, 2017.

**Any other information: None**

**Key Financial Indicators**

Key Parameters	Units	2017	2016
Result Type		Audited	Audited
Operating Revenue	₹ Cr	60.00	51.79
EBITDA	₹ Cr	4.31	3.80
PAT	₹ Cr	2.32	2.00
Tangible Net worth	₹ Cr	7.73	5.40
Total Debt/Tangible Net worth	Times	0.12	0.23
Current Ratio	Times	1.49	1.56

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website



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**B P Construction**  
**Annexure**

Name of the Bank	Facilities	Tenure	Amount (₹ Crores)
Canara Bank	Term Loan (Fund Based)	Long Term	2.34
Bank of India	Cash Credit (Fund Based)	Long Term	1.00
Bank of India	Bank Guarantee (Non-Fund Based)	Short Term	6.50
<b>Total</b>			<b>9.84</b>

**For print and digital media**

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**Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).



### **About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

### **DISCLAIMER**

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.