

Rating Rationale

Brickwork Ratings Reaffirms 'BWR BB' & 'BWR A4' for the Bank Loan Facilities aggregating ₹ 15 Cr of M/s Dipesh Construction Co.

Brickwork Ratings has *reaffirmed* following **Ratings¹** for Bank Loan facilities of M/s Dipesh Construction Co. (*DCC or The firm*).

Facility	Previous Limits (₹ Cr)	Present Limits (₹ Cr)	Tenure	Previous Ratings ¹	Present Ratings ¹
Fund Based: Working Capital	3.00	3.00	Long Term	BWR BB (Pronounced as BWR Double B) Outlook: Stable	Reaffirmed at BWR BB (Pronounced as BWR Double B) Outlook: Stable
Non Fund Based: Bank Guarantee	7.00	12.00	Short Term	BWR A4 (Pronounced as BWR A Four)	BWR A4 (Pronounced as BWR A Four)
Total	10.00	15.00	INR Fifteen Crores only		

BWR has essentially relied upon the audited financials of DCC for FY12 to FY14, provisional financials for FY15, projected financials for FY16 of the firm, publicly available information /clarification provided by the Company's management.

The ratings favourably take into account the long experience of the directors, comfortable capital base, and past track record of project execution.

The ratings are however constrained by relatively small scale of operations, fluctuation in revenue due to tender based business model and constitution of firm as a partnership concerns.

Background:

Dipesh Constructions Co. was established in 1985 and is engaged in the business of civil construction in Gujarat. Presently, firm has five partners including Mr. Kanjibhai K. Sorathia and Mr. Parth K. Sorathia who have 35% each of the capital. Three other partners, who are also family members have 10% capital each.

The firm is a Government approved "Class-AA" Civil Contractors. The firm has executed civil projects of building, residential quarters, excavation for pond, Storage shed, hospitals, colleges, hostels and earth works in Gujarat region. The firm has 80 on roll and 200 off role personnel.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Financial Performance:

As per provisional financial report submitted for FY15, the net revenue from operations increased to Rs. 59.22 Cr from Rs.28.53 Cr in FY14. The firm's PAT also was at Rs. 7.50 Cr against Rs.1.43 Cr in FY14. Operating profit margin and net profit margin of the firm in FY15 has improved to 12.66% & 16.31% from 5.06% & 9.56% in FY14 respectively.

During FY15, the firm's Tangible Networth stood at Rs. 17.45 Cr and Total Debt was Rs. 2.92 Cr. Total Debt: Tangible Net worth was at 0.17 times. The firm enjoys a fairly large Bank Guarantee limit from their banker, which is normally required by all civil contractors.

Rating Outlook:

The outlook of the firm for the next year is expected to be stable. Going forward, scaling up operation in a consistent manner, maintaining low receivable level and overall strengthening of financial will remain key rating sensitivities. Also change in constitution of the firm to private limited company would be positive for the rating.

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