

## M/S B.P. Construction

Instrument	Amount Rated	Rating Action
Fund Based - Cash Credit	Rs.1.00 crore	[ICRA]B+ outstanding
Non Fund Based – Bank Guarantee	Rs. 6.50 crore	[ICRA]A4 outstanding
Unallocated Limits	Rs. 6.50 crore (Revised from Rs. 2.50 crore earlier)	[ICRA]B+ /[ICRA]A4 outstanding /assigned

ICRA has assigned a long-term rating of [ICRA]B+ (pronounced ICRA B plus)<sup>1</sup> and short-term rating of [ICRA]A4 (pronounced ICRA A four) to the Rs. 4-crore enhanced unallocated limits of M/S B.P. Construction (BPC). ICRA also has the long-term rating of [ICRA]B+ and the short-term rating of [ICRA]A4 outstanding to the Rs. 10.00 crore bank facilities of BPC.

The assigned ratings take into account the entity's exposure of profitability to volatility in raw material prices, although presence of price variation clauses in most of the contracts mitigates such risk to an extent. This, coupled with highly fragmented and competitive nature of the industry, and tender-based contract awarding system, keeps a check on the profitability, as is evident from the fluctuating profitability in the past. The ratings take note of the stretched liquidity profile as also reflected by the full utilisation of working capital limits, though the absence of long-term debt obligations at present provides some financial flexibility. The ratings take cognisance of the high geographic concentration risk, with operations limited to Jharkhand, and the risk associated with its status as a partnership firm, including the risk of withdrawal of capital by the partners.

The ratings also take note of the experience of the partners of more than two decades in the civil construction business, its status as a Class-1 A contractor with the Public Works Department (PWD), Chhattisgarh, enabling it to bid for large contracts floated within the state. The ratings note the healthy financial profile of the firm as reflected by the conservative capital structure and healthy debt protection indicators. The ratings take note of the growth in scale of operations in FY2016 and the moderate visibility for revenue growth over the near term, as also reflected by an order book position of Rs. 52 crore as on March 31, 2016. The sustenance of regular order flow will be critical in maintaining a healthy growth in FY2017.

In ICRA's opinion, the ability of the firm to maintain healthy profitability in light of heightened competition, and sustenance of a regular order flow while maintaining a conservative capital structure, and managing working capital requirements efficiently, would remain key rating sensitivities, going forward.

### Company Profile

Established in 1987 as a proprietorship concern, M/s B.P. Construction (BPC) was reconstituted as a partnership firm in 1998. BPC is involved in civil construction and electrification for various Government departments in the state of Jharkhand. 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.

### Recent Results

BPC reported a net profit of Rs. 1.84 crore (provisional) in FY2016 on an operating income of Rs. 51.36 crore (provisional) as against a PAT of Rs. 1.01 crore on the back of an OI of Rs. 18.26 crore during FY2015.

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<sup>1</sup> For complete rating scale and definitions please refer to ICRA's website ([www.icra.in](http://www.icra.in)) or other ICRA rating publications.



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