

Press Release**Begunia Projects Private Limited****March 1, 2019****Ratings**

| Sl. No. | Instrument/Facility | Amount (Rs. Crore) | Rating Assigned |
|---------|-----------------------------|--------------------|---|
| 1. | Long Term Fund Based Limits | 5.00 | IVR BB-/Stable Outlook (IVR Double B Minus with Stable Outlook) |
| | Total | 5.00 | |

Details of Facilities are in Annexure 1**Detailed Rationale**

The rating derives strength from the experienced promoter, presence in niche business segment, healthy profitability margins, comfortable capital structure and debt protection metrics. The rating however is constrained by small scale of operation, volatility in profitability and cash flows, and customer and geographical concentration risk. Scale of operation and profitability, volatility in cash flows and working capital management are the key rating sensitivities.

Detailed Description of Key Rating Drivers**Key Rating Strengths****Experienced promoter**

The company is promoted by Mr. P.K. Panda. He has an experience of over 25 years in the legal field and has been instrumental in mentoring the company. In due course of his career, he has established relationships with various government departments which are helpful in getting new orders.

Niche business segment

The company operates in the niche segment of project management consultancy. The work of eliminating illegal encroachments on government land and making the same litigation free is done by very few private players. Additional work of developing the land makes the company unique in terms of its service and scope of work.

Healthy profitability margins

The EBITDA margin and PAT margin of the company are healthy at 30.18% and 19.81% respectively in FY18.

Comfortable capital structure and debt protection metrics

The capital structure of the company remains comfortable in the absence of any long term debt. TOL/TNW was also comfortable at 0.37x as on March 31, 2018. The interest coverage ratio in FY18 was comfortable at 39.08x.

Key Rating Weakness

Small scale of operation

The scale of operation of the company continues to remain small even in spite of the company being in business for over a decade. Also, the financial performance in 9MFY19 has been very modest.

Volatility in profitability and cash flows

The profitability and cash flows of the company has been volatile over the years. The company recognizes revenue only after completion of work (usually takes a long time given the complexities involved) thereby causing volatility in cash flows. The total operating income of the company increased from Rs.1.91 crore in FY16 to Rs.12.03 crore in FY18. However, the total operating income of the company was only Rs.0.60 crore in 9MFY19.

Customer and geographical concentration risk

The company's top customer constituted a significant portion of total revenue in FY18 indicating a very concentrated client base. Also, the company has catered to a limited number of clients since its inception. Further, the company has executed almost all the projects till date in southern part of the country indicating geographical concentration risk.

Analytical Approach & Applicable Criteria

Standalone

Rating Methodology for Service Sector Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria on Default Recognition and Post-Default Curing Period

Liquidity

The company is earning a modest level GCA and the same is expected to increase gradually with increase in scale of operation and level of margin. In the absence of any long term debt, this indicates a moderate degree of liquidity support to the company in servicing its interest costs.

About the Company

Begunia Projects Private Limited (BPPL) was incorporated as a private limited company by Mr. P.K. Panda in June 2006. Mr. Panda is a lawyer and a Company Secretary having an experience of over 25 years in the legal field. BPPL is primarily a project management consultancy company. It is also involved into project development work. The company's scope of work majorly involves eliminating illegal encroachments on land parcels owned by various government departments by way of obtaining legal clearances (making it litigation free) and/or setting up township, agri/horticulture farms and other end use as per the requirement/agreement with the counterparty. Ms. Madhusmita Panda (niece of Mr. P.K. Panda) and Mrs. Uma Parvathi are directors in the company. The projects undertaken by the company after thorough due diligence are complex in nature and usually have high value attached to it. The execution of a single project may take a couple of years depending on the complexities involved. The company had made some real estate investments from internal accruals, which are expected to generate revenue for the company going forward.

Financials (Standalone Basis)

(Rs. crores)

| For the year ended* / As On | 31-03-2017 (Audited) | 31-03-2018 (Audited) |
|------------------------------------|---------------------------------|---------------------------------|
| Total Operating Income | 6.36 | 12.03 |
| EBITDA | 2.08 | 3.63 |
| PAT | 1.13 | 2.38 |
| Total Debt | 0.00 | 1.63 |
| Tangible Networth | 15.49 | 17.73 |
| EBITDA Margin (%) | 32.69 | 30.18 |
| PAT Margin (%) | 17.76 | 19.81 |
| Overall Gearing Ratio (x) | 0.00 | 0.09 |

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not applicable

Any other information: N.A

Rating History for last three years:

| Sl. No. | Name of Instrument/Facilities | Current Rating (Year 2018-19) | | | Rating History for the past 3 years | | |
|---------|-------------------------------|-------------------------------|--------------------------------|-------------------------|---|---|---|
| | | Type | Amount outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2017-18 | Date(s) & Rating(s) assigned in 2016-17 | Date(s) & Rating(s) assigned in 2015-16 |
| 1. | Fund Based Facilities | Long Term | 5.00 | IVR BB- /Stable Outlook | -- | -- | -- |

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

| Name of Facility | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|-----------------------------|-------------------------|-------------------------|----------------------|-------------------------------------|---------------------------------|
| Long Term Fund Based Limits | -- | -- | -- | 5.00 | IVR BB-/Stable Outlook |