



**Press Release**  
**BHARAT CONSTRUCTION**  
**October 31, 2023**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	11.00	ACUITE BB-   Stable   Assigned	-
Bank Loan Ratings	9.00	-	ACUITE A4   Assigned
Total Outstanding Quantum (Rs. Cr)	20.00	-	-

**Rating Rationale**

Acuite has assigned its long-term rating of '**ACUITÉ BB-**' (read as **ACUITE double B minus**) and short-term rating of '**ACUITÉ A4**' (read as **ACUITE A four**) on the Rs. 20.00 Cr. bank facilities of Bharat Construction (BC). The outlook is '**Stable**'.

**Rationale for rating assigned**

The rating assigned reflects the established track record and industry experience of the partners of the firm in the civil construction works. However, this strength is partially offset by the average financial risk profile marked by average debt protection metrics. Further it also factors in the intensive working capital cycle and stretched liquidity of the firm as reflected by high GCA days of 581 days and near to full utilizations of its short term bank borrowings. The rating is also constrained by the risk associated with the sub-contractors of the firm.

**About the Company**

Established in 2012, Bharat Construction is a partnership firm located in Khetwadi, Mumbai. The firm is a civil contractor registered with Govt Authorities like MCGM, MMRDA and MHADA etc. The current partners of the firms are Mr. Mukund Surani, Mr. Premsingh U Purohit and Mr. Maheet M Surani.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has considered the standalone business and financial risk profiles of Bharat Construction to arrive at the rating.

**Key Rating Drivers**

**Strengths**

**Established Track record of operations and experienced management**

Bharat Construction is a partnership firm engaged in business of undertaking government construction contracts. The partners of the firm have an around three decades of experience in the construction activities. Over the past few years, the firm is only engaged in the civil construction for MCGM. The firm passes on the work order on a subcontracting basis to

another firm and is not involved directly in any of the construction activity. The revenue of the firm grew by a CAGR of 38 percent in last two years on account of rising order book and

timely execution of the projects. The revenue increased to Rs. 37.21 crores in FY2023 as against Rs. 11.72 crore in FY2022.

Acuite believes that the long operational track record coupled with the extensive experience of the management will continue to benefit the firm going forward, resulting in steady growth in the scale of operations.

### **Weaknesses**

#### **Average Financial Risk Profile**

The financial risk profile of the firm stood average, marked by low net worth, average gearing (debt-equity) and average debt protection metrics. The tangible net worth stood at Rs. 13.13 crores as on 31<sup>st</sup> March 2023 as against Rs.11.76 crore as on 31<sup>st</sup> March 2022. The firm follows an aggressive financial risk policy reflected through its peak gearing of 2.41 times as on 31 March 2021. The total debt of the firm stood at Rs. 20.14 crore which includes short-term debt of Rs.5.68 crore, Term loan of 1.05 crores and unsecured loans of Rs.13.41 crore as on 31<sup>st</sup> March 2023. The gearing (debt-equity) stood at 1.53 times as on 31<sup>st</sup> March 2023 as compared to 2.21 times as on 31<sup>st</sup> March 2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 3.9 times as on 31<sup>st</sup> March 2023 as against 2.91 times as on 31<sup>st</sup> March 2022. Interest Coverage Ratio stood at 2.35 times for FY2023 as against 1.44 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 1.89 times in FY2023 as against 1.31<sup>st</sup> times in FY2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.07 times for FY2023 as against 0.02 times for FY2022.

Acuite believes that going forward, the financial risk profile of the firm may improve slowly, backed by steady cash accruals and no new debt planed.

#### **Intensive Working Capital Management**

The working capital management of the firm is intensive marked by GCA days of 581 days in FY23 as against 1343 days in FY22. The firm does not maintained inventory on its book as everything is on subcontracting basis. Subsequently, the debtor's collection period stood at 45 days in FY23 as against 71 days for FY22. The creditors days stood at 0 days in FY23 as against 259 days in FY22. As a result, the reliance on working capital limits is very high which is marked by the utilizations of 96 percent of bank limits in the last 06 months ended September' 2023.

Acuite believes that the working capital operations of the firm may continue to remain intensive on account of the nature of industry in which the firm operates.

#### **Risk associated with sub-contractor**

The firm over the past few years has been completing the construction work on a subcontracting basis by few sub-contractors. As the firm itself is not directly involved in the completion of work, the financial and business risk profile of the subcontractors needs to be closely monitored as any financial risk to them can negatively affect the future orders inflows to the firm.

Acuite believes that monitoring the financial and business risk profile of the subcontractors will be the key rating sensitivity for the firm.

### **Rating Sensitivities**

- Any significant improvement in scale of operations while maintaining profitability.
- Any financial or business risks to subcontractors affecting the future order book of the firm.
- Further elongations in the working capital operations of the firm and deterioration in liquidity position.

### **All Covenants**

Not Available

### **Liquidity Position Stretched**

The firm's liquidity position is stretched with its high reliance on short term bank borrowings with

around 96 percent of its working capital limits utilized for last 6 months ended September 2023. Further, marked by low net cash accruals against the maturing debt obligations. The firm generated net cash accruals in the range of Rs.0.54-1.32 crores from FY2021-23 as against maturing repayment obligations of Rs.1.08-0.65 crores. However, it is expected to generate cash accruals in the range of Rs.1.68-2.08 crores against the maturing repayment obligations of Rs.0.2 crores over the medium term. The working capital management of the firm is intensive marked by GCA days of 581 days in FY2023 as against 1343 days in FY2022. The current ratio stood at 1.74 times as on March 31st, 2023, as against 2.54 times as on 31<sup>st</sup> March 2022.

Acuite believes that the liquidity of the firm may improve going ahead on account of increasing cash accruals from the business.

### **Outlook: Stable**

Acuité believes the outlook on BC will continue to remain 'Stable' over the medium term backed by long track record of operations and experienced management. The outlook may be revised to 'Positive' if the firm is able to significantly improve the scale of operations, while also improving its working capital operations efficiently and being less reliance on short term debt. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile of the firm by not able to scale up the business and further deterioration in working capital management and liquidity position.

### **Other Factors affecting Rating**

Not Applicable

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	37.21	11.72
PAT	Rs. Cr.	1.32	0.53
PAT Margin	(%)	3.54	4.51
Total Debt/Tangible Net Worth	Times	1.53	2.21
PBDIT/Interest	Times	2.35	1.44

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

Not Available

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.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 :

Not Applicable

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Abhyudaya Cooperative Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE A4   Assigned
Abhyudaya Cooperative Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BB-   Stable   Assigned
Indian Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	0.06	ACUITE BB-   Stable   Assigned
Abhyudaya Cooperative Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	0.94	ACUITE BB-   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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