



Press Release
BHARAT CONSTRUCTION
January 28, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	11.00	ACUITE BB- Stable Reaffirmed	-
Bank Loan Ratings	9.00	-	ACUITE A4 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	20.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of ‘**ACUITE BB-**’ (read as **ACUITE double B minusa**) and short-term rating of ‘**ACUITE 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

The rating reaffirmation takes into account the ability of the company to sustain its scale of operations through a healthy order book position despite some softening in the topline for FY24 reflected by slower execution. Further, rating also derives comfort from the strong industry presence of partners in construction industry. However, it is constrained by average financial risk profile, intensive working capital cycle and inherent limitations of sub-contracting business.

About the Company

Established in 1978, Bharat Construction is a partnership firm located in Khetwadi, Mumbai. The firm is a civil contractor registered with Govt Authorities like Municipal Corporation of Greater Mumbai (MCGM), Mumbai Metropolitan Region Development Authority (MMRDA) and Maharashtra Housing and Area Development Authority (MHADA) etc. The current partners of the firms are Mr. Mukund Surani, Mr. Preamsingh 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 around three decades of experience in construction activities. Over the past few

years, the firm is only engaged in civil construction for MCGM. The firm executes all its contracts through subcontracting with experienced players.

Acuité 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.

Stable operating performance on the back of healthy order book

The operating revenue of the company has marginally reduced from Rs.37.28 Cr. in FY23 to Rs.34.82 Cr. in FY24.

This decline was attributable to slower order execution of previous orders which were delayed due to pending clearances from relevant authorities and unavailability of funds from the government authorities. Currently, ~Rs.28 Cr revenue has been achieved till 15th January 2025. The EBITDA margin stood at 4.05 percent in FY24 as against 4.45 percent in FY23. The margins of the company are volatile and susceptible to the type and time of work or sub-contracting, and are expected to be in the range of ~4-5% over the medium term. The order book of the company stands at ~Rs.82.00 Cr. as on December 31, 2024 which gives healthy revenue visibility over the medium term.

Further, Acuité believes that the company will be able to sustain its scale of operations in the near to medium term on account of new contracts leading to healthy order book and also through better execution of the previous pending orders, which shall be a key rating sensitivity.

Weaknesses

Average Financial Risk Profile

The financial risk profile of the company stood average, marked by low net worth, moderate gearing (debt-equity) and low debt protection metrics. The tangible net worth stood at Rs.14.56 Cr. as on 31 March 2024 as against Rs.13.13 Cr. as on 31 March 2023. The gearing (debt-equity) stood at 1.52 times as on 31 March 2024 as compared to 1.55 times as on 31 March 2023. The major borrowings of company is in the form of short term debt to manage the working capital requirements which has led to increase in Debt/EBITDA from 5.77 times as on March 31, 2023 to 6.49 times as on March 31, 2024.

Acuité believes that going forward, the financial risk profile of the firm may improve slowly, backed by steady cash accruals.

Intensive Working Capital Management

The working capital management of the company is intensive marked by GCA of 405 days in FY24 as against 354 days in FY23. The company does not maintain any inventory on its book as operations is on subcontracting basis and the material purchased by the sub-contractors is only through BMC approved material supplier. However, the debtor's collection period increased to 177 days in FY24 as against 133 days for FY23 on account of increase in tender deposits and retention money which account for ~5-7% of the turnover, is receivable within 3-5 years after the completion of the entire work. The creditors days also stood high at 324 days in FY24 as against 312 days in FY23. These payables also include deposits from its sub-contractors. Hence overall, there is a stretch in the working capital. The working capital limits are marked by utilization of ~94 percent in the last 09 months ended December' 2024.

Risk associated with sub-contractor

The firm over the past few years has been completing the construction work on a subcontracting basis only. 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.

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

Rating Sensitivities

- Timely execution of existing contracts and receipt of fresh contracts
- 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 financial and liquidity position

Liquidity Position

Adequate

The company's liquidity position is adequate, marked by net cash accruals Rs.1.31 Cr. in FY24 against the maturing debt obligations of Rs.0.25 Cr. Going forward, it is expected to generate cash accrual in the range of Rs.1.65-1.80 Cr. against the no maturing repayment obligations over the medium term. Additionally, the partners are expected infuse funds into the business in the form of unsecured loans as and when required. The working capital limits are marked by high utilizations of around 94 percent in the last 09 months ended December' 2024. The current ratio stands at 1.00 times as on March 31, 2024.

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

Outlook: Stable

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	34.82	37.28
PAT	Rs. Cr.	1.30	1.32
PAT Margin	(%)	3.72	3.54
Total Debt/Tangible Net Worth	Times	1.52	1.55
PBDIT/Interest	Times	2.42	2.35

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

Not Applicable.

Any other information

None.

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>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
31 Oct 2023	Bank Guarantee (BLR)	Short Term	9.00	ACUITE A4 (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BB- Stable (Assigned)
	Working Capital Term Loan	Long Term	0.94	ACUITE BB- Stable (Assigned)
	Secured Overdraft	Long Term	0.06	ACUITE BB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Abhyudaya Cooperative Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	9.00	Simple	ACUITE A4 Reaffirmed
Abhyudaya Cooperative Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.00	Simple	ACUITE BB- Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.92	Simple	ACUITE BB- Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.08	Simple	ACUITE BB- Stable Reaffirmed

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About Acuité Ratings & Research

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