

## Press Release

## Bahl Builders Private Limited

August 21, 2017



## Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 21.00 Cr.
<b>Long Term Rating</b>	SMERA BB / Outlook: Stable
<b>Short Term Rating</b>	SMERA A4+

\* Refer Annexure for details

## Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (**read as SMERA BB**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 21.00 crore bank facilities of Bahl Builders Private Limited. The outlook is '**Stable**'.

Established in 1952, the New Delhi-based Bahl Builders Private Limited (BAHL) undertakes construction of roads, apartments, factories for Army Welfare Housing Organisation, Delhi Development Authority (DDA) and private players. The company is led by Mr. Bahl and the second and third generation of promoters.

**Key Rating Drivers****Strengths****• Experienced management and long track record of operations**

Established in 1952, BAHL is led by Directors, Mr. Anil Bahl, Mr. Sunil Bahl, Mr. Praveen Bahl and others. The directors possess extensive experience in the industry.

**• Above average financial riskprofile**

The moderate financial risk profile is marked by networth of Rs.18.03 crore as on 31 March, 2017 (Provisional) compared to Rs.17.21 crore a year earlier. The net worth includes unsecured loans of Rs.3.31 crore in FY2017 (Provisional) that are subordinated to bank debt. In FY2016, it stood at Rs.3.35 crore from promoters. SMERA has treated the same as quasi equity. Further, the gearing of the company stands low and comfortable at 0.24 times as on 31 March, 2017 (Provisional) as compared to 0.18 times as on 31 March, 2016. The total debt includes term loan of Rs.1.12 crore and working capital facility of Rs. 2.94 crore. The interest coverage stands at 2.02 times in FY2017 (Provisional) as against 2.58 times in the previous year. The net cash accrual by total debt (NCA/TD) stood at 0.36 percent in FY2017 (Provisional) compared to 0.52 percent in FY2016. The debt service coverage ratio (DSCR) stands at 1.82 times in FY2017 (Provisional) compared to 2.40 times in FY2016. SMERA expects the company to continue its moderate risk profile in the medium term. Further, the company's ability to improve its net worth along with debt protection metrics will be key credit monitorables.

**Weaknesses****• Moderate scale of operations**

The operations of BAHL stood at a moderate scale of Rs.38.28 crore in FY2017 (Provisional) compared to Rs.35.26 crore in FY2016. The business is highly dependent on the company's ability to successfully bid for contracts. However, the promoters' experience and long term relations partially mitigate this risk.

**• Working capital intensive business**

The working capital cycle is stretched as evident from the high gross current assets (GCAs) of 224 days in FY2016-17 (Provisional) compared to 197 days in FY2015-16. This is on account of high inventory and debtors of 72 days and 133 days in FY2016-17 (Provisional) respectively. The high working capital intensity has resulted in full utilisation of bank lines in the past six months.

**• Intense competition**

The company operates in a highly fragmented industry with limited entry barriers wherein the presence of a large number of players in the unorganised sector limits the bargaining power with customers.

**Analytical Approach**

SMERA has considered the standalone business and financial risk profile of the company.

**Outlook: Stable**

SMERA believes that the company will maintain a stable outlook in the medium term on the back of the management's extensive experience and long track record of operations. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and accruals or further elongation of working capital cycle.

**About the Rated Entity - Key Financials**

For FY2017 (Provisional), the company reported profit after tax (PAT) of Rs.0.88 crore on operating income of Rs.38.28 crore compared with PAT of Rs.0.70 crore on operating income of Rs.35.26 crore in FY2016. The net worth stood at Rs.18.03 crore as on 31 March, 2017 (Provisional) against Rs.17.21 crore a year earlier. The net worth of Rs.18.03 crore in FY2017 (Provisional) includes quasi-equity of Rs.3.31 crore.

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

None

**Any other information**

None

**Applicable Criteria**

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

**Note on complexity levels of the rated instrument**

<https://www.smera.in/criteria-complexity-levels.htm>

**Rating History (Upto last three years)**

Not Applicable

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	18.00	SMERA A4+

## Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 <a href="mailto:vinayak.nayak@smera.in">vinayak.nayak@smera.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a>
Mrinal Mahip Executive Analyst - Rating Operations Tel: 011-49731304 <a href="mailto:mrinal.mahip@smera.in">mrinal.mahip@smera.in</a>	

## ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit [www.smera.in](http://www.smera.in).

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.