

Press Release

Balaji Durobuild Private Limited

June 27, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 5.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable (Assigned)
Short Term Rating	ACUITE A4 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.5.00 crore bank facilities of Balaji Durobuild Private Limited. The outlook is '**Stable**'.

Delhi-based Balaji Durobuild Private Limited was incorporated in year 2011 by Mr. Anil Kumar Bansal and Mr. Archit Bansal. Director, Mr. Anil Kumar Bansal have the experience of 40 years in the field of construction and trading. The company is engaged into housing construction. In 2016, the company started taking up sub-contracts from main stream government companies/ contractors to widen up the portfolio, prior to which it was dealing in private contracts only. Company is registered as "AAA-class contractors" in Haryana Police Housing Corporation in January, 2018.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the Balaji Durobuild Private Limited to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management:**

BDPL was incorporated in 2011 by Mr. Anil Kumar Bansal and Mr. Archit Bansal. Director, Mr. Anil Kumar Bansal have the experience of 40 years in the field of construction and trading. Acuite believes that the company will continue to derive benefit from its experienced management.

- **Healthy order book position:**

BDPL has healthy order book position marked by orders in hand amounting to Rs. 60.00 crore, of which ~Rs. 47.40 crore work is unexecuted. The revenues of BDPL stood at Rs.5.50 crore in FY2019 (Provisional) as compared to Rs. 5.26 crore in FY2018.

- **Healthy financial risk profile:**

BDPL has healthy financial risk profile marked by healthy debt to equity ratio, interest coverage ratio and DSCR. Further, the net worth of the company stood moderate at Rs. 3.05 crore as on 31 March, 2019(Provisional) as against Rs.2.50 crore as on 31 March, 2018. The total debt of Rs. 5.46 crore includes short term debt and unsecured loans of Rs.2.91 crore and Rs.2.55 crore, respectively in FY2019 (Provisional). Interest Coverage Ratio (ICR) stood at 2.31 times in FY2019 (Provisional) as compared to 2.04 times last year. Debt service coverage ratio (DSCR) stood at 2.09 times in FY2019 (Provisional) as compared to 1.77 times last year. Debt to equity ratio stood at 0.52 times in FY2019 (Provisional) as compared to 0.37 times last year.

Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive evident from the Gross Current Assets (GCA) of 636 days for FY2019(provisional) as against 481 days for FY2018. This is mainly on account of high debtor days of 299 and inventory days of 227 as on 31 March, 2019(Provisional).

• Competitive and fragmented industry

The Company is engaged in housing construction, wherein the sector is marked by the presence of several mid to big size players. The risk becomes more pronounced as tendering is based on minimum amount of bidding on contracts, and susceptibility to inherent cyclicalities in the infrastructure segment. However, this risk is mitigated to an extent on account of experienced management.

• Tender based nature of business

The company deals with government organizations and quotes for the contracts on tender basis. Going forward the company's ability to successfully bid for greater number of large orders remains to be a key rating sensitivity.

Liquidity position

The company has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.0.25 crore in FY2019 (Provisional), while there were no significant maturing debt obligation for the same period. The cash accruals of the company are estimated to be ranging from Rs. 0.66 crore to Rs. 1.54 crore during 2020-22 against no repayment obligation. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 636 in FY 2019 (Provisional). The bank overdraft limit utilization stood at 60-65 percent during the last 6 months period ended March 2019 (Provisional). The company maintains cash and bank balances of Rs. 0.15 crore as on March 31, 2019(Provisional). The current ratio of the company stood at 1.88 times as on March 31, 2019 (Provisional). Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuite believes Balaji Durobuild Private Limited will maintain a stable business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company achieves higher than projected revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the company registers lower than Projected revenues and profitability, or in case of deterioration in the company's financial risk profile or higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	5.50	5.26	7.53
EBITDA	Rs. Cr.	0.52	0.45	0.62
PAT	Rs. Cr.	0.08	(0.05)	0.10
EBITDA Margin	(%)	9.51	8.65	8.25
PAT Margin	(%)	1.41	(0.98)	1.32
ROCE	(%)	5.19	4.98	9.07
Total Debt/Tangible Net Worth	Times	0.52	0.37	0.59
PBDIT/Interest	Times	2.31	2.04	3.89
Total Debt/PBDIT	Times	5.54	3.08	2.41
Gross Current Assets (Days)	Days	636	481	327

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Up to 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. Crore)	Ratings/Outlook
Bank overdraft	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE B/Stable (Assigned)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4 (Assigned)

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About Acuité Ratings & Research:

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