

Press Release

Balaji Durobuild Private Limited

December 28, 2020

Rating Upgraded and reaffirmed



Total Bank Facilities Rated*	Rs. 6.30 Cr. (Enhanced from Rs.5.00 Crore)
Long Term Rating	ACUITE B+/Stable (Upgraded)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE B+**' (read as **ACUITE B plus**) from '**ACUITE B**' (read as **ACUITE B**) and reaffirmed the short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.6.30 Crore bank facilities of Balaji Durobuild Private Limited. The outlook is '**Stable**'.

The upgrade in the rating is on account of significant improvement in revenue and profitability, strong gearing and healthy order book position. The Company have shown a significant growth in past few years. Operating Income for FY2020 stood at Rs.7.86 Crore as against Rs.5.25 Crore for the FY2019. As of 31-10-2020, the company have achieved a total revenue of ~Rs.17.00 Crore. The company is expecting to achieve a revenue of Rs.30.00 Crore by the end of the current financial year. The EBITDA Margins stood at 11.86 percent for FY2020 as against 11.60 percent in FY2019. The PAT margin have improved significantly to 1.97 percent in FY2020 from 0.68 percent in FY2019. The gearing level (debt-equity) stood strong at 0.40 times as on 31 March 2020 as against 0.62 times as on 31 March 2019 due to low dependency on external borrowings. The company currently have an order book position of Rs.107 Crore which gives revenue visibility for the next 2-3 years.

About the Company

Delhi-based Balaji Durobuild Private Limited was incorporated in the 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. 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 profile of BDPL to arrive at the 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.

- Above average financial risk profile**

Company's financial risk profile of the company remained above average marked by low net worth, low gearing and strong debt protection metrics. The net worth of the company stood at Rs.4.74 Crore as on 31 March 2020 as against Rs.4.67 Crore as on 31 March 2019. The net worth also includes unsecured loan from directors and related parties amounted to Rs.2.05 Crore as that amount will sustain in the business for the

long run. The gearing level (debt-equity) stood at 0.40 times as on 31 March 2020 as against 0.62 times as on 31 March 2019. The total debt of Rs.1.89 Crore as on 31 March 2020 consists of only working capital borrowings amounted to Rs.1.89 Crore. The interest coverage ratio (ICR) stood at 1.74 times in as against 2.10 times in FY2019 due to high interest cost during the year. NCA/TD (Net Cash Accruals to Total Debt) ratio increased to 0.18 times in FY2020 as against 0.10 times in FY2019. Debt to EBITDA stood at 2.03 times in FY2020 as against 4.77 times in FY2019.

- **Growth in revenue and profitability with healthy order book position**

The Company have shown a significant growth in past few years. Operating Income for FY2020 stood at Rs.7.86 Crore as against Rs.5.25 Crore for the FY2019. As of 31-10-2020, the company have achieved a total revenue of ~Rs.17.00 Crore. The company is expecting to achieve a revenue of Rs.30.00 Crore by the end of the current financial year. Revenue has mainly increased due to efficient execution of all the work orders. The EBITDA Margins stood at 11.86 percent for FY2020 as against 11.60 percent in FY2019. The PAT margin has improved significantly to 1.97 percent in FY2020 from 0.68 percent in FY2019. In the current financial year, the COVID-19 Pandemic has not impacted the companies operation as significantly as it did to other industry. Companies operation were continuously running during the lockdown. The company currently have an order book position of Rs.107 Crore which gives revenue visibility for the next 2-3 years.

Weaknesses

- **Intensive Working capital nature of operation**

The working capital management of the company stood intensive in FY2020 marked by moderate Gross Current Assets (GCA) of 522 days in FY2020 as against 656 days in FY2019. The inventory and debtor levels stood at 205 days and 255 days in FY2020 as against 165 and 410 days in FY2019, respectively. The company usually maintains high amount of raw material inventory due to price fluctuation. The debtor's days are high as the company also deals with private players who usually delays the payment. The creditor days stood at 195 days in FY2020 as against 224 days in FY2019. However, the average utilization of bank limits stood at ~53 per cent in the last six months ending September 2020.

Acuite believes that the working capital requirements will continue to remain intensive over the medium term on account of delay in payment from the customers and to the suppliers.

- **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 cyclicity 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 a tender basis. Going forward the company's ability to successfully bid for greater number of large orders remains to be a key rating sensitivity.

Rating sensitivity

- Continuous improvement in the scale of operations while maintaining profitability leading to improvement in overall financial risk profile

Material Covenant

None

Liquidity position: Adequate

The Company has adequate liquidity marked by low net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.34 Crore in FY2020 as against no significant debt maturity obligation for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.1.28 Crore to Rs.2.24 Crore during FY2021-23 as against no significant debt maturity obligation for the same period. The company's working capital operations are intensive marked by gross current asset (GCA) days of 522 days in FY2020. However, the average utilization of bank limits stood at ~53 per cent in the last six months ending September 2020. Company maintains unencumbered cash and bank balances of Rs.0.22 Crore as on 31 March 2020. The current ratio stands at 1.55 times as on 31 March 2020.

Outlook: Stable

Acuite believes that BDPL will maintain a stable outlook over the medium term owing to its experienced management and improving financial risk profile. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenue while maintaining profitability margins, improvement in capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue, profit margins or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	7.86	5.25
PAT	Rs. Cr.	0.16	0.04
PAT Margin	(%)	1.97	0.68
Total Debt/Tangible Net Worth	Times	0.40	0.62
PBDIT/Interest	Times	1.74	2.10

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Entities- <https://www.acuite.in/view-rating-criteria-51.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
04 September, 2020	Bank Overdraft	Long Term	3.50	ACUITE B (Indicative)
	Bank Guarantee	Short Term	1.50	ACUITE A4 (Indicative)
27 June, 2019	Bank Overdraft	Long Term	3.50	ACUITE B/Stable (Assigned)
	Bank Guarantee	Short Term	1.50	ACUITE A4 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Bank Overdraft	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE B+/Stable (Upgraded from ACUITE B/Stable)
Working Capital Demand Loan	Not Applicable	Not Applicable	Not Applicable	0.65	ACUITE B+/Stable (Upgraded from ACUITE B/Stable)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.15	ACUITE A4 (Reaffirmed)

Contacts

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About Acuité Ratings & Research:

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