

Press Release

Bansal Construction Works Private Limited

November 14, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	165.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	350.00	-	ACUITE A3+ Assigned
Total Outstanding Quantum (Rs. Cr)	515.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B Minus**) and short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs. 515.00 Cr bank facilities of Bansal Construction Works Private Limited (BCWPL). The outlook is '**Stable**'.

Rationale for Rating Assigned

The ratings assigned to BCWPL takes into account the established presence of the company in EPC industry and PPP projects such as BOT, HAM among others for government clients. The rating also factors in the healthy business risk profile with sustained scale of operations along with strong revenue visibility with an order book of Rs 2708 Cr as on October 2022 and healthy profitability parameters of the company. However, the above mentioned strengths are partly offset by its susceptibility in profitability to volatile raw material prices & geographical and sectoral concentration of its revenue, working capital intensive nature of operations and intense competition in industry due to tender driven nature of operations.

About the Company

Bansal Construction Works Private Limited (BCWPL) is Flagship Company of Bansal Group, Bhopal (M.P.). The company was incorporated on 28.06.2010 to undertake construction works (both private and Government Sector), Road construction, Infrastructure Development Works and other developmental works. Bansal Construction Works Private Limited was promoted by Mr Sunil Bansal and Mr Anil Bansal of the Bansal group of Bhopal and is presently engaged in all verticals of the infrastructure construction domain including the mode of cash contracts on Engineering Procurement and Construction (EPC) basis, PPP (Public Private Partnership) model through BOT contracts, BOT (Annuity+ Toll) Projects, BOT (Annuity) projects, Hybrid Annuity Mode (HAM) projects, Construction and Development of various Govt. Facilities. It was incorporated in 2010 in Madhya Pradesh.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of BCWPL to arrive at the rating.

Key Rating Drivers

Strengths

>Experienced promoters and established track record

The company has an established track record of over three decades in road and civil construction in the state of Madhya Pradesh. The company is managed by Mr Anil Bansal and Mr Sunil Bansal, who have a longstanding experience in this business. BCWPL is a reputed civil contractor with Government of Madhya Pradesh (GoMP), which enables it to bid for high value tenders. Apart from the flagship entity BCWPL, the group also includes ten project SPVs which undertakes PPP projects for the government of Madhya Pradesh. Out of the 10 SPVs, 4 SPVs have already achieved COD and remaining are under construction phase. Acuité believes that the company will continue to benefit from its experienced management and established relationships with both customers as well as suppliers in the medium term.

>Healthy Financial Risk Profile

The financial risk profile of the company stood healthy marked by healthy net worth, low gearing and moderate debt protection metrics. The tangible net worth stood at Rs.414.33 crore as on 31 March, 2022 (Prov) as against Rs.353.13 crore as on 31 March, 2021 and Rs.298.14 crore as on 31 March, 2020. The total debt of the company stood at Rs.191.54 crore includes Rs.28.46 crore of long term debt, Rs.64.01 crore of short term debt, Rs.84.45 crore of unsecured loans and Rs.14.61 crore of CPLTD as on 31 March, 2022 (Prov). The gearing (debt-equity) stood at 0.46 times as on 31 March, 2022 (Prov) as compared to 0.47 times as on 31 March, 2021 and 0.67 time as on 31 March, 2020. Interest Coverage Ratio stood at 7.48 times for FY2022 (Prov) as against 7.84 times for FY2021 and 8.16 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 4.00 times in FY2022 (Prov) as against 2.28 times in FY2021 and 7.43 times in FY2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 0.93 times as on 31 March, 2022 (Prov) as against 0.72 times as on 31 March, 2021 and 1.19 times as on 31 March, 2020. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.42 times for FY2022 (Prov) as against 0.45 times for FY2021 and 0.42 times for FY2020.

Acuité believes that the financial risk profile of the firm is expected to remain healthy in the near to medium term.

>Stable scale of operations and profitability

BCWPL registered a total Operating Income of Rs.605.59 crore during FY22 (Prov) as compared to Rs.586.65 crore in FY2021 along with its healthy profitability margins. As a result the revenues of the company have grown at a compounded annual growth rate (CAGR) of 1.45% over the last three years through FY 2022. The operating margins stood at 18.89% during FY22 (Prov) as compared to 18.28% during FY2021 and are expected to be on similar lines in medium terms. During 06MFY23, the company has achieved a turnover of Rs.361.84 crore. Further, the company has a healthy order book position of Rs 2708 Cr as on October, 2022 which indicates a healthy medium term revenue visibility.

Acuité believes that the scale of operations is expected to improve going forward backed by healthy order book position.

Weaknesses

>Working Capital Intensive Nature of Operations

The working capital management of the company is intensive marked by GCA days of 198 days in FY2022 (Prov) as against 139 days in FY2021 and 163 days in FY2020. The debtor days stood at 87 days in FY2022 (Prov) as against 36 days in FY2021 and 53 days in FY2020 which is in line with the average credit period allowed to customers of 15 – 90 days. The reason for high debtors in FY2022 is because the company follows the policy of sending the draft bill first to the government and once the government finalizes the bill, the company sends the final bill to the government. Also, most of the company billings happens in the end of the month of March and the payment period mostly comes in April. The creditor days stood at 77 days in FY2022 (Prov) as against 58 days in FY2021 and 81 days in FY2020. The average credit period allowed by suppliers is of 15-60 days. The inventory holding period of the company stood at 51 days in FY2022 (Prov) as against 63 days in FY2021 and 57 days in FY2020.

Acuité believes that the company will maintain intensive working capital operations in the medium term due to the nature of the industry which will remain a key rating sensitivity.

>Geographical and sectoral concentration of revenue

The entire order book of BCWPL is to be executed in Madhya Pradesh and Delhi, which exposes the company to geographical concentration. Furthermore, a large number of orders are for road construction, which also exposes the company to risks associated with sectoral concentration. Nevertheless, the company also benefits from its established base and local expertise required for execution of projects in any particular region.

>Highly Competitive Industry

The infrastructure is a fairly fragmented industry with a presence of few large pan India players where subcontracting & project specific partnerships for technical/financial reasons are fairly common. The company faces stiff competition with its competitors in procuring orders through bidding, immense competition for procuring tenders leads to very competitive pricing which in turn lead to stress on the margins. Moreover, susceptibility of raw material pricing again keeps profit margin vulnerable and is a key sensitivity factor. However, presence of price escalation clause prevents the company from exposure to raw material price fluctuations to some extent. Also, the vast experience of the promoters give the company an edge in procuring big size ticket orders but the stability of the order size in diversified segment is the key sensitive factor.

Rating Sensitivities

- Improvement in the scale of operations while maintaining profitability leading to improvement in overall financial risk profile.
- Elongation of working capital cycle

Material covenants

None.

Liquidity Position: Adequate

The company's liquidity position is adequate marked by sufficient net cash accruals against its maturing debt obligations. The company has net cash accruals in the range of Rs.75.47-Rs.83.26 Crore from FY 2020- 2022 against its maturing debt obligations in the range of Rs.8.18-Rs.25.28 crore in the same tenure. In addition, it is expected to generate a sufficient cash accrual in the range of Rs.108.96-Rs.141.14 crores against the maturing repayment obligations of around Rs.11.57-16.59 crore over the medium term. The working capital management of the company is intensive marked by GCA days of 198 days in FY2022 (Prov) as against 139 days in FY2021. The company maintains unencumbered cash and bank balances of Rs.0.55 crore as on March 31, 2022 (Prov). The current ratio stands at 1.63 times as on March 31, 2022 (Prov). The average bank limit utilization for the past 06 months ending September 2022 for Bank of Baroda is ~ 83.67 percent, for UCO Bank is ~93.56 percent and for Union Bank of India is ~41.98 percent. The average BG utilization for Union Bank of India is ~ 62.24 percent, for Bank of Baroda is ~ 32.38 percent and for UCO Bank is ~ 99.11 percent as on 30.09.2022.

Acuité believes that liquidity profile is expected to remain adequate on account of adequate cash accruals.

Outlook: Stable

Acuité believes that the BCWPL will maintain a 'stable' outlook over the near to medium term owing to its experienced management and established market position. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while maintaining profitability margins, improvement in capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenue, profit margins or deterioration in the financial risk profile, particularly its liquidity most likely as a result of higher than envisaged working capital or capex requirements.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	605.59	586.65
PAT	Rs. Cr.	61.20	60.02
PAT Margin	(%)	10.11	10.23
Total Debt/Tangible Net Worth	Times	0.46	0.47
PBDIT/Interest	Times	7.48	7.84

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

Not Available.

Any other information

None.

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.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, 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

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
UCO Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	170.00	ACUITE A3+ Assigned
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	105.00	ACUITE A3+ Assigned
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	75.00	ACUITE A3+ Assigned
UCO Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE BBB- Stable Assigned
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	75.00	ACUITE BBB- Stable Assigned

Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.16	ACUITE BBB- Stable Assigned
UCO Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	4.32	ACUITE BBB- Stable Assigned
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.00	ACUITE BBB- Stable Assigned
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.52	ACUITE BBB- 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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