



**Press Release**  
**Bansal Construction Works Private Limited**  
**June 02, 2023**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	165.00	ACUITE BBB-   Stable   Reaffirmed	-
Bank Loan Ratings	350.00	-	ACUITE A3+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	515.00	-	-

**Rating Rationale**

Acuite has reaffirmed 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 Reaffirmation**

The reaffirmation of the rating takes into account the stable operating performance of BCWPL, marked by an improved scale of operations, albeit a slight moderation in operating profitability, an improved orderbook, and a moderate financial risk profile. The revenue of the company improved to Rs. 1000.90 crore in FY2023 (prov) as against Rs. 610.56 crore in FY2022. The operating margin stood at 16.36 percent in FY2023 (Prov) as against 18.20 percent in the previous year. The unexecuted orderbook of BCWPL in April 2023 stood at Rs. 4055 crore, including the recently received HAM project valuing Rs. 1800 crore. The healthy orderbook provides medium-term revenue visibility. However, the above-mentioned strengths are partly offset by BCWPL's working capital-intensive nature of operations and intense competition in the industry due to the tender-driven nature of operations.

**About the Company**

Bansal Construction Works Private Limited (BCWPL) is the flagship company of Bansal Group, Bhopal (M.P.). The company was incorporated on June 28, 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 an Engineering Procurement and Construction (EPC) basis, the PPP (Public Private Partnership) model through BOT contracts, BOT (Annuity+Toll) projects, BOT (Annuity) projects, Hybrid Annuity Mode (HAM) projects, and the construction and development of various government 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**



### **>Experienced promoters and an 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 longstanding experience in this business. BCWPL is a reputed civil contractor with the 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 that undertake PPP projects for the government of Madhya Pradesh.

Acuité believes that the company will continue to benefit from its experienced management and established relationships with both customers and suppliers in the medium term.

### **>Moderate financial risk profile**

The financial risk profile of the company was moderate, marked by healthy net worth, low gearing, and moderate debt protection metrics. The tangible net worth stood at Rs. 508.40 crore as of March 31, 2023 (prov) as against Rs. 414.19 crore as of March 31, 2022. The total debt of the company for FY2023 (Prov) stood at Rs. 479.84 crore as against Rs. 239.79 crore as of March 31, 2022. The increase in debt is primarily due to an increase in short-term borrowings. The total debt as of March 31, 2023, includes Rs. 24.69 crore of long-term debt, Rs. 219.11 crore of short-term debt, Rs. 208.55 crore of unsecured loans, and Rs. 27.50 crore of CPLTD as of March 31, 2022. The gearing (debt-equity) stood at 0.94 times as of March 31, 2023 (prov), as against 0.58 times as of March 31, 2022, and 0.47 times as of March 31, 2021. The interest coverage ratio stood at 6.64 times for FY2023 (prov) as against 8.67 times for FY2022 and 7.84 times for FY2021. Debt Service Coverage Ratio (DSCR) stood at 3.27 times in FY2023 (Prov) as against 4.29 times in FY2022 and 2.28 times in FY2021. Total outside liabilities/total net worth (TOL/TNW) stood at 1.49 times as of March 31, 2023 (prov), as against 1.06 times as of March 31, 2022, and 0.72 times as of March 31, 2021. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.25 times for FY2023 (Prov) as against 0.32 times for FY2022 and 0.45 times for FY2021. Acuité believes that the financial risk profile of the firm is expected to remain moderate in the near to medium term.

### **>Improved scale of operations, albeit with moderation in profitability**

BCWPL registered a total operating income of Rs. 1000.90 crore during FY2023 (prov) as against Rs. 610.56 crore during FY22 as compared to Rs. 586.65 crore in FY2021, albeit with a slight moderation in operating profitability. The operating margins stood at 16.36% during FY2023 (Prov) as compared to 18.20% during FY2022 and 18.28% during FY2021, as the margins of the company vary with different projects' execution. Further, the company has a healthy order book position of Rs. 4055 crore as of April 2023. The orderbook includes an HAM road project valuing Rs. 1800 Cr for which BCWPL was selected as a L1 bidder in March 2023.

Acuité expects the scale of operations to improve going forward, backed by a 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 207 days in FY2023 (Prov) as against 222 days in FY2022 and 139 days in FY2021. The debtor days stood at 107 days in FY2023 (Prov) as against 106 days in FY2022 and 36 days in FY2021. The average credit period allowed to customers is 15–60 days. The reason for high debtors is because the company follows the policy of sending the draught bill first to the government, and once the government finalises the bill, the company sends the final bill to the government. Also, most of the company billing happens at the end of March, and the payment period mostly comes in April. The creditor days stood at 70 days in FY2023 (Prov) as against 81 days in FY2022 and 58 days in FY2021. The average credit period allowed by suppliers is 15–90 days. The inventory holding period of the company stood at 58 days in FY2023 (Prov) as against 59 days in FY2022 and 63 days in FY2021.

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 the local expertise required for the execution of projects in any particular region.

### **>Highly competitive industry**

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

### **Rating Sensitivities**

- Improvement in the scale of revenue while maintaining its profitability.
- 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. 121.11 crore from FY 2021–2023 (prov) against its maturing debt obligations in the range of Rs. 8.18–Rs. 27.50 crore in the same tenure. In addition, it is expected to generate a sufficient cash accrual in the range of Rs. 171.72–204.81 crores against the maturing repayment obligations of around Rs. 31.00–Rs. 32.00 crore over the medium term. The working capital management of the company is intensive, marked by GCA days of 207 days in FY2023 (Prov) as against 222 days in FY2022. The company maintains unencumbered cash and bank balances of Rs. 4.94 crore as of March 31, 2023 (prov). The current ratio stands at 1.16 times as of March 31, 2023 (prov) as against 1.29 times as of March 31, 2022. The average bank limit utilisation for the past 12 months ending March 2023 is 87% of the sanctioned amount. The average BG utilisation for the past 12 months ending March 2023 is 70 percent of the sanctioned amount.

Acuité believes that its 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 and capital structure and improving 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.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	1000.90	610.56
PAT	Rs. Cr.	101.11	61.06
PAT Margin	(%)	10.10	10.00
Total Debt/Tangible Net Worth	Times	0.94	0.58
PBDIT/Interest	Times	6.64	8.67

### 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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
14 Nov 2022	Term Loan	Long Term	3.00	ACUITE BBB-   Stable (Assigned)
	Bank Guarantee	Short Term	105.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	75.00	ACUITE BBB-   Stable (Assigned)
	Proposed Bank Facility	Long Term	0.16	ACUITE BBB-   Stable (Assigned)
	Bank Guarantee	Short Term	170.00	ACUITE A3+ (Assigned)
	Term Loan	Long Term	7.52	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	4.32	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	40.00	ACUITE BBB-   Stable (Assigned)
	Bank Guarantee	Short Term	75.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	35.00	ACUITE BBB-   Stable (Assigned)

## 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+   Reaffirmed
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	105.00	ACUITE A3+   Reaffirmed
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	75.00	ACUITE A3+   Reaffirmed
UCO Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE BBB-   Stable   Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	75.00	ACUITE BBB-   Stable   Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE BBB-   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	3.17	ACUITE BBB-   Stable   Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.52	ACUITE BBB-   Stable   Reaffirmed
UCO Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	4.31	ACUITE BBB-   Stable   Reaffirmed

## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Siddharth Shah Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:siddharth.shah@acuite.in">siddharth.shah@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### 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.

**Disclaimer:** An Acuité 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. Ratings assigned by Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Ratings assigned by Acuité 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.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.