



Press Release
Bansal Construction Works Private Limited
December 12, 2023
Rating Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	161.83	ACUITE BBB- Reaffirmed & Withdrawn	-
Bank Loan Ratings	3.17	Not Applicable Withdrawn	-
Bank Loan Ratings	350.00	-	ACUITE A3+ Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	515.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn its long-term rating of '**Acuite BBB-**' (read as '**Acuite Triple B minus**') and short-term rating of '**Acuite A3+**' (read as '**Acuite A three plus**')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. 511.83 Cr bank facilities of Bansal Construction Works Private Limited (BCWPL). Acuite has withdrawn its long-term rating on the Rs.3.17 Cr **proposed** bank facilities of Bansal Construction Works Private Limited (BCWPL). The rating is being withdrawn on account of the request received from the company as per Acuite's policy on withdrawal of ratings.

Rationale for Rating

The reaffirmation of the rating takes into account the improved operating performance of BCWPL, marked by an improved scale of operations, albeit a slight moderation in operating profitability, an improved orderbook, a healthy financial risk profile and adequate liquidity. The revenue of the company improved to Rs. 983 crore in FY2023 as against Rs. 611 crore in FY2022. although the operating margin stood at 14.91 percent in FY2023 as against 18.20 percent in the previous year. Further, the unexecuted orderbook of BCWPL as on September 2023 stood at Rs. 3367 crore thus providing medium-term revenue visibility. However, the above-mentioned strengths are partly offset by BWCPL'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.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité 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 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.

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.508 crore as on 31 March, 2023 as against Rs.414 crore as on 31 March, 2022. The total debt of the company stood at Rs.467.01 crore includes Rs.60.48 crore of long term debt, Rs.224.62 crore of short term debt, Rs.164.74 crore of unsecured loans and Rs.17.16 crore of CPLTD as on 31 March, 2023. The gearing (debt-equity) stood at 0.92 times as on 31 March, 2023 as compared to 0.58 times as on 31 March, 2022. Interest Coverage Ratio stood at 6.84 times for FY2023 as against 8.67 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 3.33 times in FY2023 as against 4.29 times in FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.52 times as on 31 March, 2023 as against 1.06 times as on 31 March, 2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.26 times for FY2023 as against 0.32 times for FY2022.

Improved scale of operations, albeit with moderation in profitability

BCWPL registered a total operating income of Rs. 983 crore during FY2023 as against Rs. 611 crore during FY22, albeit with a slight moderation in operating profitability. The operating margins stood at 14.91% during FY2023 as compared to 18.20% during FY2022, as the margins of the company vary with different projects' execution. Further, the company has a healthy order book position of Rs. 3367 crore as of September 2023. The orderbook includes 2 HAM road project valuing Rs.1909 Cr for FY2023-24.

Weaknesses

Working Capital-Intensive Nature of Operations

The working capital management of the company is intensive marked by GCA days of 255 days in FY2023 as against 222 days in FY2022. The debtor days stood at 124 days in FY2023 as against 106 days in FY2022. The average credit period allowed to customers of 30 - 90 days. The reason for high debtors in FY2023 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 happen in the end of the month of March and the payment period mostly comes in April. The creditor days stood at 87 days in FY2023 as against 81 days in FY2022. The average credit period allowed by suppliers is 15-60 days. The inventory holding period of the company stood at 55 days in FY2023 as against 59 days in FY2022.

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

All Covenants

Not Applicable

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.75.47-122.22 Crore from FY 2021-23 against its maturing debt obligations in the range of Rs.8.18-18.93 crore in the same tenure. The working capital management of the company is intensive marked by GCA days of 255 days in FY2023 as against 222 days in FY2022. The company maintains unencumbered cash and bank balances of Rs.3.15 crore as on March 31, 2023. The current ratio stands at 1.38 times as on March 31, 2023 as against 1.29 times as on March 31, 2022. The average bank limit utilization for the fund-based limits is ~60 percent for the past 07 months ending October 2023. The company is in plan of enhancing fund-based limits by Rs.50 Cr, and non-fund-based limits by Rs.300 Cr in the near future.

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	982.60	610.56
PAT	Rs. Cr.	101.02	61.06
PAT Margin	(%)	10.28	10.00
Total Debt/Tangible Net Worth	Times	0.92	0.58
PBDIT/Interest	Times	6.84	8.67

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

Not Applicable

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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Jun 2023	Term Loan	Long Term	7.52	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	40.00	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	105.00	ACUITE A3+ (Reaffirmed)
	Term Loan	Long Term	4.31	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	75.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	170.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	35.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	75.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	3.17	ACUITE BBB- Stable (Reaffirmed)
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 & Withdrawn
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	105.00	ACUITE A3+ Reaffirmed & Withdrawn
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	75.00	ACUITE A3+ Reaffirmed & Withdrawn
UCO Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE BBB- Reaffirmed & Withdrawn
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	75.00	ACUITE BBB- Reaffirmed & Withdrawn
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE BBB- Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	3.17	Not Applicable Withdrawn
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.52	ACUITE BBB- Reaffirmed & Withdrawn
UCO Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	4.31	ACUITE BBB- Reaffirmed & Withdrawn

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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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