



**Press Release**  
**Baba Hans Constructions Private Limited**  
**December 08, 2023**

**Rating Assigned and Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.00	ACUITE BBB   Stable   Upgraded	-
Bank Loan Ratings	30.00	-	ACUITE A3+   Assigned
Bank Loan Ratings	40.00	-	ACUITE A3+   Upgraded
<b>Total Outstanding Quantum (Rs. Cr)</b>	75.00	-	-

**Rating Rationale**

Acuite has upgraded the long term rating from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to **ACUITE BBB**(read as **Acuite triple B**) and the short term rating from '**ACUITE A3**' (read as **ACUITE A three**)' to **ACUITE A3+**(read **Acuite A three plus**) on Rs.45.00 Cr. bank facilities and assigned the short term rating of **Acuite A3+**(read as **Acuite A three plus**) on Rs.30.00 Cr bank facilities of Baba Hans Constructions Private Limited (BHCPL). The outlook is '**Stable**'

**Rationale for rating**

The rating upgrade reflects BHCPL's improved operating performance, along with financial risk profile and strong order book position. The operating revenue in FY2023 grew significantly by ~69% to Rs.163.22 Cr from Rs.96.87 Cr in FY2022. The operating margins also improved to 10.11% in FY2023 against 9.36% in FY2022. The order book position further strengthened with outstanding orders of Rs.791.46 Cr as of 30 Sept 2023 executable over 2-3 years' period.

Further, the financial risk profile remained healthy with low gearing, improved net-worth and debt protection metrics. The net worth stood at Rs.63.23 Cr as of March 31, 2023 against Rs.51.07 Cr in the previous fiscal. The working capital operations are efficient in nature with GCA days of 70 days in FY2023 against 69 days in FY2022, resulting in moderate reliance on fund-based working capital limits.

The rating however is constrained due to intense competition within the industry owing to low entry barrier, susceptibility of operating margin to volatility in input material prices and labour charges, geographical concentration risk as BHCPL mostly operates in Bihar and risk associated with tender based nature of operations.

Going ahead, BHCPL's ability to sustain augmented growth in revenues and order book alongside maintain healthy operating margins while conserving the capital structure, maintaining efficient working capital operations with adequate liquidity will remain key monitorable.

**About the Company**

Baba Hans Construction Private Limited (BHCPL) was incorporated during 2007 in Patna. The company is Government registered Class-1 contractor for civil construction works. The company works for Government agencies like Road Construction Department, Public Works Department of Bihar, and National Highways Authority of India etc. The day to day operations are looked after by Mr. Satyendra Kumar Singh, director, along with other director

and a team of experienced personnel.

**Unsupported Rating**

Not Applicable

### **Analytical Approach**

Acuité has considered the standalone business and financial risk profile of BHCPL while arriving at the rating.

### **Key Rating Drivers**

#### **Strengths**

##### **Experienced management and strong order book**

The company is managed by Mr. Satyendra Kumar Singh, Director, along with other director and a team of experienced personnel. The directors are having over two decades of experience in construction business. It has successfully completed various projects under different departments of government like RCD (Road Construction Department), NHAI, Bihar Rajya Pul Nirman Nigam Ltd (BRPNNL) and Public Works Departments, Bihar. The long-standing experience of the promoter and long track record of operations has helped the company to establish comfortable relationships with key suppliers and reputed customers. Acuité believes that the long track record and rich experience of the promoters augur well for the relationship with their key suppliers and customers. The company has strong order book position with unexecuted orders in hand worth of around Rs. 791.76 crore as of 30 Sept 2023 which are to be executed in the upcoming two to three years, thereby providing strong revenue visibility in the medium term.

Company has also bid for additional contracts worth ~Rs.700 Cr out of which the management expects to win further orders of Rs 350-400 crore which will further strengthen the order book position. The orders are from both the central government and the state government of Bihar.

Acuité believes that the company will continue to sustain its order book position and maintain its business risk profile over the medium term.

##### **Improved operating performance.**

The operating revenue of the company improved to Rs 163.22 crore in FY 2023 as compared to Rs 96.87 crore in FY 2022. The company reported an operating margin of 10.11 per cent in FY2023 as against 9.36 per cent in FY2022 due to better cost management. The PAT margins also stood steady to 7.45 per cent as on FY2023 as against 7.27 per cent as on FY2022. The RoCE levels for the company are comfortable at 28.79 per cent in FY2023 as against 21.57 per cent in FY2022. Though the company's profitability is exposed to volatility in raw material prices as their prices are volatile in nature, it has an in-built price escalation clause for major raw materials (such as steel, cement, fuel, and bitumen) in most of its contracts thus protecting margins from volatility. Till Aug 2023, the company has been able to achieve a revenue of Rs. 108 Cr.

Acuite believes, BHCPL's ability to register augmented growth in revenues over the medium term backed by strong order book position will remain a key monitorable.

##### **Healthy financial risk profile**

The financial risk profile of the company is marked by healthy net worth, low gearing and strong debt protection metrics. The net worth of the company stood at Rs.63.23 crore in FY 2023 as compared to Rs 51.07 crore in FY2022. This improvement in net-worth is mainly due to the retention of current year profit. The gearing of the company has stood comfortable at 0.08 times in FY 2023 as compared to 0.06 times in FY 2022. The gearing is expected to remain low over the medium term on account of absence of any debt funded capex plans and modest incremental working capital requirements. Interest coverage ratio (ICR) stood at 11.82 times in FY2023 as against 9.53 times in FY 2022. The debt service coverage ratio (DSCR) of the company stood at 8.85 times in FY2023 as compared to 7.25 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 2.43 times in FY2023 as compared to 2.38 times in the previous year.

Going forward, Acuite believes the financial risk profile of the company will remain healthy on account of expected steady net cash accruals and absence of any major debt-funded capex over the near term.

## **Efficient working capital management**

The working capital operations of the company are efficient in nature marked by GCA days of 70 days in FY2023 against 69 days in FY2022. There were no debtors as at the end of the financial year FY2023 and stood at 10 days in FY2022. Raw materials procured which are mainly stone chips, cement and structures are locally procured on a just in time basis. This ensures low inventory pileup and helps reduce cost. Relatively quick execution of orders also ensures lower inventory level and quick billing cycle. The inventory days of the company has increased to 45 days in FY2023 as compared to 25 days in the previous year.

## **Weaknesses**

### **competition in construction segment, and to tender-based operations**

Although the company has a long-standing presence of about 20 years in the industry, as almost all its sales are tender based, the revenue depends on the company's ability to bid successfully for tenders. BHCPL specialises in civil works related to construction of roads and buildings mainly for Government of Bihar and NHAI. The company faces competition from large players, as well as many local and small unorganised players, adversely affecting the profitability. Currently all their projects are situated in Bihar. This increases the geographical concentration risk significantly. Nonetheless, the company is bidding for projects in new territories which is expected to mitigate the geographic concentration risk to some extent.

### **Susceptibility of operating margin due to volatility in input material prices and labour charges**

The basic input materials for execution of construction projects and works contracts are steel, stone chips, cement and structures etc. The prices of which are highly volatile. However, currently government agencies' work contracts have price escalation clause which mitigate price volatility risk to some extent. Furthermore, the operating margin of the company is exposed to sudden spurt in the input material prices along with increase in labour prices being in labour intensive industry.

## **Rating Sensitivities**

Scaling up of operations while maintaining profitability margin.

Timely execution of orders

Sustenance of existing financial risk profile with healthy capital structure

## **All Covenants**

Not Applicable

## **Liquidity Position**

### **Adequate**

The company has adequate liquidity marked by comfortable net cash accruals of Rs. 12.95 crore as against Rs.0.08 crore long term debt obligations in FY2023. The cash accruals of the company are estimated to remain in the range of around Rs. 22.18- Rs.33.56 crore during 2023-25 as against repayment obligation of Rs.0.10-Rs.0.51 Cr. respectively. The fund-based bank limit utilization stood at ~84 percent during the last six months ended in September 2023 and non-fund base at 79% during the same period. The current ratio of the company stood at 1.73 times in FY2023 against 2.13 times in FY2022. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of comfortable cash accruals generation against modest debt repayment obligation.

## **Outlook:Stable**

Acuité believes the company's outlook will remain 'stable' over the medium term on account of vast experience of the promoters, long execution track record, strong order book position and healthy financial risk profile. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile

and liquidity position or delay in completion of its projects or further deterioration in its working capital cycle.

**Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	163.22	96.87
PAT	Rs. Cr.	12.16	7.04
PAT Margin	(%)	7.45	7.27
Total Debt/Tangible Net Worth	Times	0.08	0.06
PBDIT/Interest	Times	11.82	9.53

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

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Nov 2022	Bank Guarantee	Short Term	40.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	5.00	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
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A3+   Upgraded
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A3+   Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB   Stable   Upgraded



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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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