



Press Release
BHAVYA CONSTRUCTION
March 17, 2025
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	17.50	ACUITE BB+ Stable Assigned	-
Bank Loan Ratings	32.50	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	50.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned long term rating of 'ACUITE BB+' (read as ACUITE double B plus) on the Rs. 17.50 Cr. bank facilities and short-term rating of 'ACUITE A4+' (read as ACUITE A four plus) on the Rs. 32.50 Cr. bank facilities of Bhavya Construction. The outlook is 'Stable'.

Rationale for rating

The rating takes into cognizance experienced management, moderate financial risk profile, increasing revenues albeit declining operating profitability and adequate liquidity; however, these strengths are partly offset by the intensive working capital cycle and customer concentration risk.

About the Company

Bhavya Construction was established in 2017 based out of Silchar, Assam. The firm is engaged in contract work of road, railway, bridge, highway, etc. The partners of the firm are Mr. Nilesh Agarwal and Mr. Ajay Kumar Jain.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has taken the standalone business and financial risk profile of Bhavya Construction to arrive at the rating.

Key Rating Drivers

Strengths

Experienced Promoters

The firm is backed by promoters namely Mr. Nilesh Agarwal and Mr. Ajay Kumar Jain who has prior experience in civil construction for almost over two decades. Acuite believes that promoters experience will leverage the business coupled with healthy relations with the clientele will continue to benefit the firm going forward.

Improving Revenues and operating profitability:

The revenue of the firm has increased to Rs. 59.25 Cr. as on March 31, 2024 as compared to Rs. 46.70 Cr. as on March 31, 2023 due to order completion in FY 23-24. The operating profitability stands at 12.02 percent as on

March 31, 2024 as compared to 14.51 percent as on March 31, 2023.

The unexecuted order book stands at Rs. 340.82 Cr. as on December 2024. The OB/OI is at 5.75 times. Most of the orders will be completed approximately within 12-24 months. Acuite believes that going forward, the ability of the company to bag new orders and timely execution of the existing orders will remain a key rating monitorable.

Moderate Financial risk profile

The financial risk profile is moderate marked by an increase in the adjusted net worth to Rs. 21.61 Cr. as

on March 31, 2024 as compared to Rs. 9.96 Cr. as on March 31, 2023 due to accretion of reserves. Acuite has considered unsecured loans of Rs. 3.95 Cr. in FY 2024 which is subordinated to bank loans. Adjusted Gearing stood at 0.33 times as on March 31, 2024 as against 1.24 times as on March 31, 2023 and 0.75 times as on March 31, 2022. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.27 times as on March 31, 2024 as compared to 4.13 times as on March 31, 2023 and 3.90 times as on March 31, 2022. The debt protection metrics is marked by Interest Coverage Ratio at 6.66 times as on March 31, 2024 as compared to 5.45 times as on March 31, 2023 and 7.93 times as on March 31, 2022 and Debt Service Coverage Ratio at 2.93 times as on March 31, 2024 as compared to 3.55 times as on March 31, 2023 and 7.93 times as on March 31, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.91 times as on March 31, 2024 as compared to 0.48 times as on March 31, 2023 and 0.97 times as on March 31, 2022. Acuité believes that going forward the financial risk profile will improve over the medium term.

Weaknesses

Intensive working capital management

The intensive working capital management is marked by Gross Current Assets (GCA) of 211 days as on March 31, 2024 as compared to 271 days as on March 31, 2023, and 256 days as on March 31, 2022. The debtor days stands at 43 days as on March 31, 2024 as compared to 51 days as on March 31, 2023, and 87 days as on March 31, 2022. Furthermore, the inventory days decreased to 75 days as on March 31, 2024 as compared to 102 days as on March 31, 2023 and 16 days as on March 31, 2022. The creditor days decreased to 103 days as on March 31, 2024 from 196 days as on March 31, 2023 and 305 days as on March 31, 2022. Acuité believes that going forward the working capital operations of the firm will remain intensive over the medium term.

Customer Concentration Risk

The order book as on December 31, 2024 includes an order from the National Highways and Infrastructure Development Corporation, New Delhi of Rs. 308 Cr. which leads to customer concentration risk because it constitutes about 83 percent of their work order. It is under Anupam Nirman Bhavya JV and is expected to be completed by January 2026. Acuité believes that any changes in the scope of work order or the execution timelines could impact the business risk profile of the firm.

Rating Sensitivities

Movement in revenues and operating profitability

Elongation of Working capital cycle

Customer Concentration risk

Liquidity Position

Adequate

The liquidity is adequate marked by net cash accruals of Rs. 6.56 Cr. as on March 31, 2024 as against long term debt repayment of Rs. 1.48 Cr. over the same period. The cash and bank balances stood at Rs. 1.02 Cr. as on March 31, 2024 as compared to Rs. 1.98 Cr. as on March 31, 2023 and 2.37 times as on March 31, 2022. The current ratio stood at 1.39 times as on March 31, 2024 as compared to 1.14 times as on March 31, 2023 and 0.94 times as on March 31, 2022. The average bank limit utilization stood at 57 percent over the last six months ended, January 2025. Acuité believes that going forward the liquidity position of the firm will remain adequate in the absence of any major debt funded capex plan.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	59.25	46.70
PAT	Rs. Cr.	4.35	3.97
PAT Margin	(%)	7.34	8.51
Total Debt/Tangible Net Worth	Times	0.33	1.24
PBDIT/Interest	Times	6.66	5.45

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

None

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

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, Acuité 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	Quantum (Rs. Cr.)	Complexity Level	Rating
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	32.50	Simple	ACUITE A4+ Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.50	Simple	ACUITE BB+ Stable Assigned
Punjab National Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE BB+ Stable Assigned

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About Acuité Ratings & Research

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