

## Banshidhar Construction Private Limited

April 01, 2025

Facilities	Amount (₹ crore)	Ratings <sup>1</sup>	Rating Action
Long-term bank facilities	20.00	CARE BB-; Stable	Assigned
Short-term bank facilities	20.00	CARE A4	Assigned

Details of facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of Banshidhar Construction Private Limited (BCPL) are constrained by its moderate scale of operations with low net worth base, tender driven nature of business, highly competitive industry, susceptibility of margins towards construction material price volatility with lack of escalation clause in most of the contracts, high collection period with stretched creditors and clientele and geographic concentration risk.

The above constraints are, however, partially offset by its experienced promoters, satisfactory financial performance over the years, healthy orderbook position as on September 30, 2024 and moderate capital structure and debt coverage indicators.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Increase in scale of operations beyond Rs.150 crore with operating margin above 20% on a sustained basis.
- Improvement in capital structure with overall gearing ratio going below 0.75x on a sustained basis.
- Improvement in average collection period below 200 days on a sustained basis.

#### Negative factors

- Decline in scale of operation below Rs.90 crore with operating margin going below current levels.
- Deterioration in debt coverage indicators with TDGCA going above 4.00x on a sustained basis.
- Any further stretching of creditors with average creditor days going above 450 days.

### Analytical approach: Standalone

#### Outlook: Stable

Care Ratings believes that the entity shall sustain its moderate financial risk profile over the medium term.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Moderate scale of operations and net worth base

The scale of operations of the company remained moderate at Rs.105 crore in FY24 and Rs.48 crore in H1FY25. The net worth base also stood moderate at Rs.64.26 crore as on March 31, 2024. The moderate scale of operations and net worth position limits the entity's financial flexibility and restricts the benefits from economies of scale. Further, competition in the industry will continue to restrict future growth prospects.

##### Tender driven nature of business

BCPL's revenue stream is solely derived from tender-based projects, making its success contingent upon its ability to secure these contracts. The intense competition within the industry puts immense pressure on profit margins. However, the promoters' extensive experience in the construction industry, spanning two decades, serves as a mitigating factor against this risk.

##### Highly competitive industry

BCPL operates in a highly competitive construction industry wherein it faces direct competition from various organized and unorganized players in the market given the low barriers to entry. There are number of small and regional players catering to the same market which has limited the bargaining power of the company and has exerted pressure on its margins.

### Susceptibility of margins towards construction material price volatility with lack of escalation clause in most of the contracts

The basic input materials for execution of construction projects and works contracts are steel, stone chips, bitumen, cement etc. Furthermore, the operating margin of the firm is exposed to any sudden spurt in the input material prices along with an increase in labour prices being in labour intensive industries. However, escalation clause is lacking in most of the contracts.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

### High collection period with stretched creditors

The company's collection period stood high at 343 days in FY24 compared to 171 days in FY23 on account of decline in turnover with large amount of funds stuck in various projects. On account of non-receipt of funds from various projects, the company did not pay its simultaneous creditors, leading to stretched creditor days of 374 days in FY24 (224 days in FY23). As maintained by the management, the long-stuck debtors will be realised over the period and simultaneously creditors would be paid off.

### Clientele and geographic concentration risk

BCPL does not have a diversified customer base as it works only for various government agencies like Rural Works Department (RWD) in Bihar and Jharkhand, thus, exposing the company to customer concentration risk. Additionally, more than 95% of the order book is concentrated on a single state i.e. Bihar, exposing the company to geographic concentration risk. The company does not plan to expand in new geographies as of now.

### Key strengths

#### Experienced promoters

The company is promoted by Mr. Subhash Yadav, Mr. Ram Prasad Rai, Mr. Ashok Rai, and Mr. Dev Prasad. The day-to-day operations is looked after Mr. Prakash Kumar Singh, CEO and Mr. Rishi, both having more than a decade of experience in the similar line of business. They are family members of the directors Mrs. Lalti Devi and Mrs Prabhawati Devi.

#### Satisfactory orderbook position

As of September 30, 2024, BCPL has an order book valued at Rs.342.56 crore. The order book to turnover ratio (TOI) for FY24 stands at 3.26x, indicating satisfactory revenue visibility over the short to medium term.

#### Moderate capital structure and debt coverage indicators

The entity's capital structure stood moderate, marked by overall gearing of 0.85x as on March 31, 2024 (0.92x as on March 31, 2023). Its debt profile largely comprises term loans and fund-based working capital loans. The improvement is mainly on account of accretion of profits to reserves. Debt coverage indicators stood modest, as marked by adequate PBILDT interest coverage of 3.59x in FY24 (4.65x in FY23) and total debt to GCA (TD/GCA) of 3.23x as on March 31, 2024 (2.44x as on March 31, 2023). Deterioration during the year was on account of moderation in profitability and stable debt levels. The company has prepaid term loan of Rs.15 crore in FY25 which shall lead to improvement in capital structure. Going forward, with no capex or debt availment plans, the capital structure is expected to improve.

#### Satisfactory financial performance over the years.

The total operating income (TOI) of the company declined to Rs.105.04 crore in FY24 from Rs.178.51 crore in FY23 on account of several bills which were not raised to the department by the company. BCPL's operating profitability exhibited a volatile trend with PBILDT margin within the range of 13-22% in the past three years ended FY24. It stood healthy at 21.62% during FY24, with a y-o-y improvement of 524 bps on account of decrease in raw material costs. Profit after Tax (PAT) margin stood comfortable at 6.59% in FY24 (5.10% in FY22).

#### Liquidity: Stretched

BCPL's liquidity position remained stretched on account of significantly high debtors leading to average collection period of around 343 days in FY24. The average fund-based working capital limit utilisation also remained high at around 99% during last 12 months period ended October 2024. The company earned GCA of Rs.16.86 crore vis-à-vis debt repayment obligation of Rs.5.27 crore in FY24. Additionally, the company has prepaid term loan of Rs.15 crore in FY25. The company is expected to generate sufficient cash accruals to meet its debt repayment obligation going forward. As of March 31, 2024, BCPL had an unencumbered cash and bank balance of Rs.47.42 crore.

### Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Construction sector](#)

[Short Term Instruments](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

BCPL, based in Patna, Bihar, was incorporated on November 10, 2006. It was founded by Mr. Ram Prasad Roy, Mr. Dev Prakash Singh, Mr. Ashok Prasad Singh, and Mr. Subhash Prasad Yadav. The company is engaged into construction of roads and bridges, sand mines and civil work for various government departments primarily in Bihar and Jharkhand.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	178.51	105.04	48.03
PBILDT	29.24	22.71	13.48
PAT	7.38	6.92	4.56
Overall gearing (times)	0.92	0.85	NA
Interest coverage (times)	4.65	3.59	4.97

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	20.00	CARE BB-; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	20.00	CARE A4

#### Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	20.00	CARE BB-; Stable				
2	Non-fund-based - ST-Bank Guarantee	ST	20.00	CARE A4				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not Applicable

#### Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-Bank Guarantee	Simple

## Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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### About us:

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### Disclaimer:

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