B N Chavan

August 14, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Long Term Bank Facilities	RBI	7.77 (Enhanced from 3.50)	CARE BB; Stable	Rating removed from ISSUER NOT COOPERATING category and Upgraded from CARE B-; Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to B N Chavan (BNC) takes into account its modest scale of operations and declining operating profitability marked by profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins along with low order book position, elongated working capital cycle, proprietorship nature of constitution, fragmented industry, exposure to tender driven process and high customer concentration risk. The rating, however, derives comfort from the experienced proprietor and track record of operation of the firm and comfortable capital structure with moderate debt coverage indicators.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operation beyond Rs. 100 crores while maintaining PBILDT margins on a sustained basis.
- Substantial increase in orderbook with diversification in clientele on a sustained basis.
- Substantial improvement in gross current assets from the existing level led by expedited collection from customer on a sustained basis.

Negative factors

- Decline in scale of operation or reduction in PBILDT margin below 5% on sustained basis.
- Deterioration total debt to PBILDT beyond 6.50x on sustained basis.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects that B N Chavan will continue to benefit from the promoters' experience in the construction industry along with sustained performance supported by existing orders in hand which gives revenue visibility in near-to-medium term while maintaining satisfactory capital structure.

Detailed description of key rating drivers

Key weaknesses

Modest scale of operations and range bound profitability along with low order book position

BNC's total operating income (TOI) grew at a compounded annual growth rate (CAGR) of 26.18% over the five years ended FY26 and rose by 11% year-on-year to ₹48.41 crore in FY26 from FY25. Despite the growth, the firm's scale of operations remains moderate.

The unexecuted order book stood at ₹29.96 crore as on June 30, 2026, translating into an order book-to-sales (FY26-UA) ratio of 0.62x, which provides moderate near-term revenue visibility. The firm also continues to maintain a healthy bid success ratio of ~90%, supporting order inflows.

BNC's operating profitability remained moderate, with PBILDT margins largely ranging between 7%-10% over the past four years ended FY26. PBILDT margin declined by 141 basis points year-on-year to 6.58% in FY26 due to higher raw material costs. Profitability also remains impacted by the firm's practice of submitting bids below the tender value to secure contracts, resulting in additional security deposits. However, the proportion of such bids has been declining over the years.

The profit before tax (PBT) margin improved to 5.82% in FY26 from 4.98% in FY25, primarily due to interest income of ₹1.02 crore earned on bank deposits in the year. The profit after tax (PAT) margin stood at 4.92% in FY25. FY26 earnings are yet to be adjusted for taxes and, therefore, PAT is not comparable to FY25. Return on capital employed (ROCE) remained modest at 9.29% in FY26 compared to 9.77% in FY25.

CARE Ratings Limited (CareEdge Ratings) expects the profitability to remain range bound in the near term, given the competitive nature of tender-based contracts, although the declining share of below-tender bids may provide some support to margins.

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[1]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority

[2]Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

Elongated working capital cycle

The firm operates in a working capital-intensive industry, wherein a significant portion of funds remains tied up in receivables, retention money, and earnest money deposits (EMDs). Consequently, gross current asset (GCA) days remained high at 556 days in FY26, albeit improving from 671 days in FY25. The average collection period continued to remain elongated at 297 days in FY26 against 335 days in FY25. The firm's debtors including EMD and retention deposits decreased to ₹36.45 crore as on March 31, 2026, from ₹43.43 crore as on March 31, 2025. However, debtors above 180 days increased to 23% of total debtors as on March 31, 2026, from 18% as on March 31, 2025. Further, debtors worth ₹24.79 crore were realised in April 2026, resulting in outstanding debtors of ₹11.70 crore as on April 30, 2026. The working capital cycle remained largely stable at 37 days in FY26 as against 31 days in FY25.
CareEdge Ratings expects the working capital cycle to remain moderately stretched over the near term due to the nature of the industry, although timely realisation of receivables and retention money is expected to support liquidity.

Proprietorship nature of constitution

Given its proprietorship constitution, the firm remains exposed to the risk of capital withdrawal from personal exigencies of the proprietor. The constitution also poses business continuity risks from the proprietor's retirement, incapacitation, or demise. Access to diversified and cost-effective sources of funding remains relatively limited compared to corporatised entities, which may constrain financial flexibility and growth prospects.

Fragmented industry, exposure to tender driven process and high customer concentration risk

The firm operates as a small-sized contractor in the highly fragmented construction industry and primarily undertakes road construction and drainage-related projects for Pune Municipal Corporation. The entire order book as on June 30, 2026, comprises projects awarded by PMC, resulting in high customer concentration risk. The firm's operations depend on securing projects through government tenders. The tendering process remains highly competitive due to the presence of numerous established contractors and new market entrants. This exerts pressure on bid pricing, profitability, and order inflows.

Key strengths

Experienced proprietor and track record of operation of the firm

BNC has over two decades of experience in the construction and maintenance of sewage systems and roads, with most of its projects executed for Pune Municipal Corporation (PMC). The firm was established in 2002 by Mr. Balasaheb Chavan. It is currently managed by the second generation of the Chavan family, namely Mr. Mayur Chavan and Mr. Akshay Chavan, both qualified civil engineers. The extensive industry experience of the promoters and management, coupled with long-standing associations with PMC, is expected to support order inflows over the near term.

Comfortable capital structure with moderate debt coverage indicators

The firm's net worth improved to ₹29.32 crore as on March 31, 2026, from ₹24.75 crore as on March 31, 2025, supported by profit accretion and capital infusion during the year. Overall gearing remained comfortable below unity and improved to 0.52x as on March 31, 2026, from 0.60x as on March 31, 2025, due to the increase in net worth. As on March 31, 2026, the debt profile comprised term loans of ₹2.26 crore, unsecured loans from related parties of ₹5.20 crore, and working capital borrowings of ₹7.77 crore. The term loan was fully prepaid in April 2026. The total outside liabilities to net worth (TOL/TNW) ratio improved to 1.62x as on March 31, 2026, from 2.37x as on March 31, 2025. Debt coverage indicators remained moderate, with total debt to profit before interest, lease rentals, depreciation, and taxation (PBILDT) at 4.78x in FY26 compared to 4.22x in FY25. Interest coverage improved marginally to 2.93x in FY26 from 2.80x in FY25.
The management plans to enhance its working capital limits to support higher order execution. Therefore, the firm's ability to maintain adequate profitability and cash accruals while preserving its capital structure and debt coverage metrics will remain a key monitorable.

Liquidity: Stretched

BNC's liquidity position remained stretched, as reflected by negative cash flow from operations of ₹0.38 crore in FY26 despite generating net cash accruals of ₹3.12 crore the year. The current ratio and quick ratio remained below unity at 0.97x as on March 31, 2026, indicating working capital-intensive operations. The firm's maximum average utilisation of fund-based working capital limits remained moderate at ~64% for the 14 months ended May 2026. The entity had also availed non-fund-based limits of ₹16.50 crore, which were almost fully utilised as on June 16, 2026. The firm maintained unencumbered cash and bank balances of ₹1.54 crore as on March 31, 2026, providing some liquidity cushion.

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Construction Sector

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

B.N. Chavan (BNC) was established in 2002 as a proprietorship firm by Mr. Balu Namdeo Chavan. The firm was engaged in the execution of civil contracts, primarily involving road construction and the laying and repair of drainage systems for government entities. It was registered as a Class 1A contractor with the Public Works Department (PWD), Maharashtra, and had a significant presence in the Pune district.

Brief Financials (₹ crore)	March 31, 2025 (A)	March 31, 2026 (UA)
Total operating income	43.67	48.41
PBILDT*	3.49	3.19
Profit after tax (PAT)#	2.15	2.82
Overall gearing (x)	0.60	0.52
Interest coverage (x)	2.80	2.93

A: Audited; UA: Unaudited; Note: these are latest available financial results
*PBILDT: Profit before interest, lease rentals, depreciation and tax
#Profit after tax (PAT) for FY26 is yet to be adjusted for taxes and, therefore, is not comparable with FY25.

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

For complexity level of instruments rated refer to Annexure-1

Lender details: Annexure-4

Disclosure on facilities/instruments and name of the regulators:
A list of facilities / instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	RBI	Simple	-		-	-	7.77	CARE BB; Stable

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 2026-2027	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024
1	Fund-based - LT-Cash Credit	LT	7.77	CARE BB; Stable	-	1)CARE B-; Stable; ISSUER NOT COOPERATING* (03-Jul-25)	1)CARE B-; Stable; ISSUER NOT COOPERATING* (25-Jun-24)	1)CARE B; Stable; ISSUER NOT COOPERATING* (17-May-23)

*Issuer did not cooperate; based on best available information.
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: Lender details

To view lender-wise details of bank facilities please click here

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

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About us:

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