

## Bhardwaj Construction Company Private Limited

December 22, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long Term Bank Facilities	1.50	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	9.00	CARE A4 (A Four)	Reaffirmed
<b>Total Bank Facilities</b>	<b>10.50</b> <b>(Rs. Ten Crore and Fifty Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Bhardwaj Construction Company Pvt. Ltd. (BCCPL) continues to be constrained by its small scale of operation, moderate financial performance in FY21 (provisional; refers to the period April 01 to March 31), risk associated with participating in tenders, intense competition in the industry and working capital intensive nature of business. However, these risks are partially mitigated through its experienced management, satisfactory track record of operations, satisfactory leverage ratios and debt coverage indicators and satisfactory, though declining order book position of the company.

### Rating Sensitivities

#### Positive Factors - Factors that could lead to positive rating action/upgrade:

- Increase in scale of operation (turnover above Rs.50 crore) while maintaining current operating margin on a sustained basis.

#### Negative Factors- Factors that could lead to negative rating action/downgrade:

- Any sizeable decline in scale of operation (turnover below Rs.15 crore) with deterioration in operating margin from current level on a sustained basis.

### Detailed description of the key rating drivers:

#### Key Rating Weaknesses

##### ***Small scale of operation with moderate profitability margins***

The company is a small player vis-a-vis other players in the civil contractor business marked by its total operating income of Rs.21.65 crore (Rs.15.35 crore in FY20). The tangible net worth of the company was at Rs.13.48 crore as on March 31, 2021 (Prov.). The relatively small size restricts the financial flexibility of the company in terms of stress and deprives it from benefits of economies of scale. The profit levels of the company also remained low. Furthermore, the profitability margins of the company remained moderate marked by PBILDT margin of 11.92% (FY20: 13.47%) and PAT margin of 6.69% (FY20: 7.98%) in FY21 (Prov.). Furthermore, the Company achieved revenue of Rs.13 crore in 8MFY22. The entity has availed moratorium on interest on working capital for the period March 2020 to August 2020 from its lender as per the RBI circular.

##### ***Risk associated with participating in tenders and intense competition in the industry***

The company has to bid for the contracts based on tenders opened by the various governments and public sector units. Upon successful technical evaluation of various bidders, the lowest bid is awarded the contract. The company receives projects which majorly are of a short to medium tenure (i.e. to be completed within maximum period of one to two years). Furthermore, orders are generally tender driven floated by government units indicating a risk of non-receipt of contract in a competitive industry. The outlook of construction sector appears challenging in view of slow execution of the existing order book in view of hindrances related to land acquisition, obtaining requisite clearances, labour shortage and liquidity issues with the clients, etc. Additionally, the sector is plagued with elongated working capital cycle leading to increase in debt level of construction companies.

##### ***Working capital intensive nature of business***

The operations of the company remained working capital intensive as the company executes orders mainly for public sector units and government departments. The average collection period of the company remains high and the company stretches its payments to its suppliers. Average utilization of its bank borrowing limits remained high at 95% during the last 12 months ended November 2021. Operating cycle of the company remained high at 140 days as on March 31, 2021 (Prov.) on account of high collection period of 131 days during the same period. The requirements of non-fund based limits also remained high on account of requirement of performance and financial bank guarantees for project bidding.

### Key Rating Strengths:

##### ***Experienced management with satisfactory track record of operations***

The company is engaged into civil construction business since 1983 and thus has around 37 years of operational track record. Mr. Jai Durga Pathak (Director), along with other directors Mr. Jai Shankar Pathak, Mrs. Deoki Devi, Mr. Riaz Ahmaed, Mr. Gopal Pathak and Mr. Jai Pathak Uma Shankar who have significant experience in the civil construction business look after the day to day operation of the company. The benefit derived from the experience Directors and healthy relation with customers and suppliers are continuing to support the company.

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

### **Satisfactory leverage ratios and debt coverage indicators**

The capital structure of the company remained satisfactory marked by long-term debt-equity ratio of 0.09x and overall gearing ratio of 0.20x, as on March 31, 2021 (Prov.). The company mainly uses Bank Guarantees (BG) to receive orders. Average BG utilisation during last 12 months ended November 2021 was around 70%. The debt coverage indicators remained comfortable marked by total debt to GCA of 1.69x as on March 31, 2021 (Prov.). Furthermore, the interest coverage ratio, improved in FY21 (Prov.) on account of higher operating profit achieved. The interest coverage ratio, improved in FY21 (Prov.) on account of higher operating profit achieved, was comfortable at 4.60x in FY21 (Prov.).

### **Satisfactory order book position of the entity representing revenue visibility**

The entity has satisfactory order book position of Rs.57.40 crore (2.65x of total operating income of FY21) as on August 31, 2021 to be executed by the end of December 2022, which shows revenue visibility. Order book position has reduced from Rs.83.80 crore as on August 31, 2020 in view of no new order flow during the period. However, the Company is expected to participate in tenders in coming months.

**Liquidity-Stretched:** The average utilization of working capital limit was high 95% during last 12 month ended November, 2021. During FY21, the company has reported a gross cash accrual of Rs.1.59 crore as against term loan repayment obligation of Rs.0.18 crore for FY22. Operating cycle of the company remained high at 140 days as on March 31, 2021 (Prov.) on account of high collection period of 131 days during the same period. The company has availed moratorium from its lender that could be availed as per recent RBI circular. The operating cycle remained high at 140 days in FY21. However, inventory holding period remained on the higher side in view of working capital-intensive nature of business.

### **Analytical approach:**

Standalone

### **Applicable Criteria**

[Criteria on assigning outlook and credit watch to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

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

[Criteria for Short Term Instruments](#)

[CARE's methodology for Construction Sector](#)

### **About the Company**

Bhardwaj Construction Company Private Limited was incorporated in March 1983 with an objective to enter into undertaking infrastructure and civil construction business. Since its inception, the company has been engaged in civil construction business in the segment like roads, bridges, irrigation canals etc. projects. Further, the company is also classified as Class "A" contractor, Government of Jharkhand. Class "A" Contractor can bid for all types and higher value of contracts of Public Works Department (PWD) in Jharkhand. Mr. Jai Durga Pathak (Director), along with other directors Mr. Jai Shankar Pathak, Mrs. Deoki Devi, Mr. Riaz Ahmaed, Mr. Gopal Pathak and Mr. Jai Pathak Uma Shankar who have significant experience in the civil construction business look after the day-to-day operation of the company. They are further supported by a team of experienced professionals.

<b>Brief Financials (Rs. crore)</b>	<b>31-03-2020 (A)</b>	<b>31-03-2021 (Prov.)</b>	<b>8MFY22 (Prov.)</b>
Total operating income	15.35	21.65	13.00
PBILDT	2.07	2.58	NA
PAT	1.22	1.45	NA
Overall gearing (times)	0.21	0.20	NA
Interest coverage (times)	4.01	4.60	NA

A: Audited, Prov.: Provisional, NA: Not Available

**Status of non-cooperation with previous CRA:** Issuer Not Cooperating from India Ratings vide PR dated June 09, 2021.

**Any other information:** Not Applicable.

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

### **Annexure-1: Details of Instruments/Facilities**

<b>Name of the Instrument</b>	<b>ISIN</b>	<b>Date of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Size of the Issue (Rs. crore)</b>	<b>Rating assigned along with Rating Outlook</b>
Fund-based - LT-Bank Overdraft		-	-	-	1.50	CARE BB-; Stable
Non-fund-based - ST-Bank Guarantees		-	-	-	9.00	CARE A4

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Bank Overdraft	LT	1.50	CARE BB-; Stable	-	1)CARE BB-; Stable (01-Oct-20)	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (02-Mar-20) 2)CARE BB; Stable (10-Apr-19)	-
2	Non-fund-based - ST-Bank Guarantees	ST	9.00	CARE A4	-	1)CARE A4 (01-Oct-20)	1)CARE A4; ISSUER NOT COOPERATING* (02-Mar-20) 2)CARE A4+ (10-Apr-19)	-

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities:** Not applicable.

**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Bank Overdraft	Simple
2	Non-fund-based - ST-Bank Guarantees	Simple

**Annexure 5: Bank Lender Details for this Company**

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

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

## Contact us

### Media Contact

Name: Mradul Mishra  
Contact no. – +91-22-6754 3573  
Email ID – [mradul.mishra@careedge.in](mailto:mradul.mishra@careedge.in)

### Analyst Contact

Name – Richa Bagaria  
Contact no.- +91-33-4018-1653  
Email ID- [richa.jain@careedge.in](mailto:richa.jain@careedge.in)

### Relationship Contact

Name: Anwesa Mukhopadhyay  
Contact no.- +91-33-4018-1637  
Email ID: [anwesa.mukhopadhyay@careedge.in](mailto:anwesa.mukhopadhyay@careedge.in)

### About CARE Ratings:

About CARE Ratings Limited: Established in 1993, CARE Ratings Ltd is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

### Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careedge.in](http://www.careedge.in)**