

Press Release
Viral Buildcon Private Limited

15 June, 2018



Rating Re-affirmed

Total Bank Facilities Rated*	Rs. 9.00 Cr.
Short Term Rating	ACUITE A4 (Re-affirmed)

* Refer Annexure for details

Rating Rationale

Acuité has re-affirmed short-term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 9.00 crore bank facilities of Viral Buildcon Private Limited (VBPL).

Incorporated in 2012 Viral Buildcon Private Limited is a Surat based company engaged in construction of roads, drains, buildings and structural works. The company undertakes project as a principal contractor which is subsequently sub-contracted and VBPL purely looks after the execution and quality control part. The company is promoted by Mr. Vijay Kania who has nearly four decades of experience in the same line of business.

Key Rating Drivers

Strengths

Experienced management

Incorporated in 2012- VBPL is promoted by Mr. Vijay Kania who has four decades of experience in the construction business having previously managed a partnership firm (M/s Viral Builders) since 1979.

Weaknesses

Modest Scale of operations

The scale of operation is modest with revenue of Rs 7.76 cr in FY 2017 as compare to Rs 12.36 cr in FY 2016. The company has clocked revenue of Rs 13.13 cr during FY 2018 (prov). The dip in revenue is on account of executing projects for Reliance group and execution limiting to Surat only. However, in order to increase the top line the company has started to execute projects outside Surat from FY 2017-18.

Weak financial risk profile

The weak financial risk profile is marked by low net worth, weak debt protection metrics and comfortable gearing. The net-worth base of the company stood at Rs 1.16 crs in FY 2017 as against Rs 1.32 crs in FY 2016. The debt protection metrics stands weak with interest coverage and debt service coverage ratios of 0.77 times and 0.64 times respectively in FY2017 as compared to 0.87 times and 0.93 times respectively in FY2016. The gearing stood comfortable at 1.19 times in FY 17 as against 0.83 times in FY16.

Low operating margins and PAT level losses

VBPL has low operating margins due to asset light business model where the whole of the project is sub-contacted. In FY 2017 operating margins stood at 1.64 per cent as compare to 0.63 per cent in FY 2016. VBPL has incurred PAT level losses of Rs (0.16) cr FY 2017 as compare to Rs (0.08) cr in FY 2017.

Customer Concentration

Though VBPL over the years has undertaken projects for different reputed clients in the form of Reliance Industries Limited, Larsen & Toubro, Gujarat Narmada Valley Fertilizers Company Limit, Surat Municipal corporation, however recently the company has been able to bag contracts from Reliance Industries only.

Outlook: Stable

ACUITE believes VBPL will maintain a stable business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and profitability while improving working capital management. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the company's financial risk profile and if the creditor cycle further elongates.

Analytical Approach: ACUITE has considered the standalone business and financial risk profiles of VBPL to arrive at the rating.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	7.76	12.36	30.70
EBITDA	Rs. Cr.	0.13	0.08	0.26
PAT	Rs. Cr.	(0.16)	(0.08)	0.11
EBITDA Margin	(%)	1.64	0.63	0.84
PAT Margin	(%)	(2.04)	(0.63)	0.35
ROCE	(%)	5.36	3.26	16.05
Total Debt/Tangible Net Worth	Times	1.19	0.83	0.40
PBDIT/Interest	Times	0.77	0.87	3.28
Total Debt/PBDIT	Times	6.95	7.96	1.75
Gross Current Assets (Days)	Days	250	97	79

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infra Entities - <https://www.acuite.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
5 th April 17	Bank Guarantee	Short Term	9.00	ACUITE A4 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE A4 (Re-affirmed)

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About Acuité Ratings & Research:

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