

Press Release

Bvishal Oil and Energy Limited

08 March, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 21.50Cr.
Long Term Rating	SMERA BBB-/Stable

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) on the Rs. 21.50 crore bank facilities of Bvishal Oil and Energy Limited (BOEL). The outlook is '**Stable**'.

BOEL was incorporated in November 2017 to take over the existing operations of Vishal Enterprises (VE). The Gujarat-based VE was established in 1999 as a partnership firm by Mr. Bharat Chaudhary and Mr. Vishal Chaudhary. The company provides services for oil exploration and production activities. BOEL is also engaged in the business of labour contracts and arranges trucks and tankers on commission basis.

Key rating drivers

Strengths

Experienced management and established track record of operations

The promoter, Mr. Ramesh Chaudhary has experience of around two decades in the oil exploration industry. He is supported by Mr. Bharat Chaudhary, Mr. Vishal Chaudhary, and Ms. Pallavi Chaudhary.

BOEL backed by an experienced management has been able to generate healthy relations with reputed clientele comprising Oil and Natural Gas Corporation Limited (ONGC), Oil India Limited (OIL), Schlumberger Asia Services Limited (SASL) and Cairn India Ltd among others.

Above average financial risk profile

BOEL has above average financial risk profile marked by tangible net worth of Rs. 21.27 crore as on 31 March, 2017 as against Rs.15.31 crore as on 31 March, 2016. The gearing stood relatively high at 1.47 times as on 31 March, 2017 as against 1.42 times as on 31 March, 2016. The debt of Rs. 31.21 crore mainly consists of term loans of Rs. 12.14 crore unsecured loans of Rs. 11.50 crore and working capital borrowings of Rs. 7.57 crore as on 31 March, 2017. The Interest Coverage Ratio (ICR) stood at 3.54 times for FY2017 as against 3.16 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood at 3.53 times for FY2017 as against 3.16 times in FY2016. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.72 times as on 31 March, 2017 as against 1.85 times as on 31 March, 2016. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.25 times as on 31 March, 2017 as against 0.33 times as on 31 March, 2016.

Weaknesses

Working capital intensive operations

BOEL's operations are working capital intensive marked by high Gross Current Asset (GCA) days of 182 in FY2017 compared to 164 days in FY2016. The GCA days are mainly dominated by high debtor days of 96 in FY2017 and 56 days in FY2016. The working capital limits were fully utilised in the past six months. SMERA believes that efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Debt funded capital expenditure (capex) plans

BOEL plans to undertake capex at a total cost of ~Rs. 22.00 crore to be funded by bank loan of ~Rs. 14.30 crore and the rest through internal accruals. Notwithstanding the benefits of the debt funded capex, timely completion and stabilisation will remain key ratings sensitivities.

Highly competitive industry marked by tender based nature of business

The company's performance is susceptible to the tender based nature of business and intense competition from other players.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of BOEL to arrive at the rating.

Outlook – Stable

SMERA believes that BOEL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins, or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	40.82	43.23	36.28
EBITDA	Rs. Cr.	9.40	10.35	7.11
PAT	Rs. Cr.	2.50	2.53	1.91
EBITDA Margin	(%)	23.02	23.95	19.61
PAT Margin	(%)	6.12	5.85	5.26
ROCE	(%)	12.44	16.38	24.08
Total Debt/Tangible Net Worth	Times	1.47	1.41	1.62
PBDIT/Interest	Times	3.54	3.16	3.23
Total Debt/PBDIT	Times	3.32	2.09	2.99
Gross Current Assets (Days)	Days	165	146	202

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

None

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.50	SMERA BBB-/ Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	4.84	SMERA BBB-/ Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	4.98	SMERA BBB-/ Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.94	SMERA BBB-/ Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.04	SMERA BBB-/ Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.97	SMERA BBB-/ Stable
Proposed Bank Facilities	Not Applicable	Not Applicable	Not Applicable	2.23	SMERA BBB-/ Stable

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ABOUT SMERA

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