

Press Release

Bvishal Oil And Energy Limited

March 29, 2019



Rating Upgraded and Assigned

Total Bank Facilities Rated*	Rs.47.07 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable (Upgraded from ACUITE BBB-/ Stable)
Short Term Rating	ACUITE A3+ (Upgraded from ACUITE A3)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long term rating to '**ACUITE BBB**' (**read as ACUITE triple B**) from '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short term rating to '**ACUITE A3+**' (**read as ACUITE A three plus**) from '**ACUITE A3**' (**read as ACUITE A three**) on the Rs.29.50 crore bank facilities and has assigned the long term rating of **ACUITE BBB** (**read as ACUITE triple B**) on the Rs.17.57 crore bank facilities of BVISHAL OIL AND ENERGY LIMITED (BOEL). The outlook is '**Stable**'.

The upgrade is in view of growth in revenues along with profitability margins of the company. Acuité believes that the company will sustain the growth in revenues and profitability margins over the medium term.

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.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Established presence in the oil exploration industry**

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. The company has an unexecuted order book position of Rs.198.00 crore as on 31 December 2018 which gives revenue visibility over the medium term.

Acuité believes that BOEL will continue to benefit from the promoter's established presence in the industry and its improving its business risk profile over the medium term.

- **Above average financial risk profile**

BOEL has above average financial risk profile marked by moderate net worth and healthy debt protection matrices.

The net worth of BOEL stood at Rs.36.04 crore as on 31 March 2018 as against Rs.21.27 crore as on 31 March 2017. The gearing (debt-equity) stood at 0.91 times as on 31 March 2018 as against 1.47 times as on 31 March 2017. The total debt of Rs.32.88 crore as on 31 March 2018 mainly comprises term loans of Rs.20.05 crore, unsecured loans of Rs.7.27 crore and working capital borrowings of Rs.5.56 crore. The coverage indicators are above average marked by Interest Coverage Ratio (ICR) which stood at 4.83 times for FY2018 as against 3.55 times for FY2017. The Total Outside Liabilities to Tangible Net Worth (TOL/TNW) stood at 1.19 times as on 31 March 2018 as against 1.72 times as on 31 March 2017.

Weaknesses

- **Working capital intensive operations**

BOEL's operations are working capital intensive marked by high Gross Current Asset (GCA) days of 159 in FY2018 compared to 165 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.

Acuité 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 has won a project in Assam from Oil India Limited. The total cost for that project is ~Rs.29.00 crore which will be funded by bank loan of Rs.16.72 crore and the rest through unsecured loan from promoters and internal accruals. Notwithstanding the benefits of the debt funded capex, timely completion and stabilisation will remain key rating 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.

Liquidity position

BOEL has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.9.29 crore and maturing debt obligations stood at Rs.5.75 Crore in FY2018. The cash accruals of the company are estimated to 10-16 crore during 2019-21 while its repayment obligation are estimated to be around Rs.3.80-5.50 crore for the same period. The current ratio of the company stood at 1.42 times as on March 31, 2018. Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy cash accruals against the term loan repayments over the medium term.

Outlook: Stable

Acuité 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	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	53.52	40.79	43.22
EBITDA	Rs. Cr.	14.13	9.36	10.34
PAT	Rs. Cr.	4.92	2.50	2.53
EBITDA Margin	(%)	26.40	22.96	23.93
PAT Margin	(%)	9.19	6.14	5.86
ROCE	(%)	16.33	12.37	31.65
Total Debt/Tangible Net Worth	Times	0.91	1.47	1.42
PBDIT/Interest	Times	4.83	3.55	3.16
Total Debt/PBDIT	Times	2.30	2.91	2.06
Gross Current Assets (Days)	Days	159	165	146

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Entities in the service sector - <http://acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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
15-Mar-18	Cash Credit	Long term	5.50	ACUITE BBB-/Stable (Reaffirmed)
	Term loans	Long term	4.84	ACUITE BBB-/Stable (Reaffirmed)
	Term loans	Long term	4.98	ACUITE BBB-/Stable (Reaffirmed)
	Term loans	Long term	1.94	ACUITE BBB-/Stable (Reaffirmed)
	Term loans	Long term	1.04	ACUITE BBB-/Stable (Reaffirmed)
	Term loans	Long term	0.97	ACUITE BBB-/Stable (Reaffirmed)
	Bank Guarantee	Short Term	6.00	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	4.75	ACUITE A4+ (Assigned)
08-Mar-18	Cash Credit	Long term	5.50	ACUITE BBB-/Stable (Assigned)
	Term loans	Long term	4.84	ACUITE BBB-/Stable (Assigned)
	Term loans	Long term	4.98	ACUITE BBB-/Stable (Assigned)
	Term loans	Long term	1.94	ACUITE BBB-/Stable (Assigned)
	Term loans	Long term	1.04	ACUITE BBB-/Stable (Assigned)
	Term loans	Long term	0.97	ACUITE BBB-/Stable (Assigned)
	Proposed Bank Facility	Short Term	2.23	ACUITE BBB-/Stable (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00 (Enhanced from Rs.5.50 crore)	ACUITE BBB/Stable (Upgraded from ACUITE BBB-/Stable)
Term loans	Not Applicable	Not Applicable	Not Applicable	4.10 (Revised from Rs.4.84 crore)	ACUITE BBB/Stable (Upgraded from ACUITE BBB-/Stable)
Term loans	Not Applicable	Not Applicable	Not Applicable	3.43 (Revised from Rs.4.98 crore)	ACUITE BBB/Stable (Upgraded from ACUITE BBB-/Stable)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.78 (Revised from Rs.1.94 crore)	ACUITE BBB/Stable (Upgraded from ACUITE BBB-/Stable)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.44 (Revised from Rs.1.04 crore)	ACUITE BBB/Stable (Upgraded from ACUITE BBB-/Stable)

Term loans	Not Applicable	Not Applicable	Not Applicable	0.97	ACUITE BBB- (Withdrawn)
Term loans	Not Applicable	Not Applicable	Not Applicable	16.72#	ACUITE BBB/Stable (Assigned)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A3+ (Upgraded from ACUITE A3)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	4.75	ACUITE A3+ (Upgraded from ACUITE A3)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.85	ACUITE BBB/Stable (Assigned)

Contacts

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About Acuité Ratings & Research:

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