

Press Release
BVishal Oil and Energy Limited

May 29, 2020



Rating Reaffirmed Outlook Revised

Total Bank Facilities Rated*	Rs.47.07 crore
Long Term Rating	ACUITE BBB / Negative (Rating Reaffirmed; Outlook revised to Negative)
Short Term Rating	ACUITE A3+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BBB**' (**read as ACUITE triple B**) and the short term rating of '**ACUITE A3+**' (**read as ACUITE A Three plus**) to the above mentioned bank facilities of Bvishal Oil and Energy Limited (BOEL). The outlook is been revised from '**Stable**' to '**Negative**'.

Revision of Outlook

Acuité has revised the outlook from 'Stable' to 'Negative' on account of lower than expected cash realizations from its customers resulting in increase of debtors. The company has also made advance payment remittances for the projects awarded as required which has reduced the funds available for working capital requirement.

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. It has also started venturing into projects such Well stimulation service, Polymer injection service and Surface production service. BOEL is also engaged in the business of labour contracts and arranges trucks and tankers on commission basis.

Analytical Approach

Acuité has considered a standalone view of the financial and business risk profiles of BOEL to arrive at 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.482.91 crore as on 24th April 2020 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 business risk profile over the medium term.

• Above average financial risk profile

BOEL has above healthy financial risk profile marked by moderate net worth, low gearing and comfortable debt protection matrices. The net worth of BOEL improved to Rs.55.11 crore as on 31st March, 2020 (Prov.) from Rs.43.72 in 31st March, 2019. The gearing improved to 0.75 times as on 31st March, 2020 (Prov.) from 0.83 times as on 31st March, 2019. Interest Coverage Ratio (ICR) stood at 3.48 times for FY2020 (Prov.) as against 3.79 times in FY2019. Debt Service Coverage Ratio (DSCR) stood at 1.35 times for FY2020 (Prov.) as against 1.36 times in FY2019. Total outside Liabilities/Tangible Net Worth (TOL/TNW) improved to 1.11 times as on 31st March, 2020 (Prov.) from 1.16 times as on 31st March, 2019. Net Cash Accruals/Total Debt (NCA/TD) improved to 0.34 times as on 31st March, 2020 (Prov.) as against 0.26 times as on 31st March, 2019.

Weaknesses

- **Working capital intensive operations**

BOEL's operations are working capital intensive marked by high Gross Current Asset (GCA) days of 201 in FY2020 (Prov.) compared to 197 days in FY2019. The GCA days are mainly dominated by high debtor days of 93 in FY2020 (Prov.) and 65 days in FY2019. The working capital limits were fully utilized in the past six months. Acuité believes that efficient working capital management will be crucial to the company in order to improve to the stable credit profile.

- **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.

- **Debt funded capital expenditure (capex) plans**

The company has historically relied majorly on debt and partly on internal accruals and unsecured loans from promoters to fund capex and execute large projects. Notwithstanding the benefits of the debt funded capex, timely completion of projects and timely payments from the customers is essential to maintain stability.

Liquidity position: Stretched

BOEL has stretched liquidity in the backdrop of full utilization of working capital limits along with intensive working capital operations. The company generated cash accruals of Rs.14.17 crores and maturing debt obligations stood at Rs.9.72 Crores in FY2020 (Prov.). The current ratio of the company declined to 1.32 times as on March 31, 2020 (Prov.) from 1.60 times as on March 31, 2019. The NCA is expected to be between Rs.15-20 crore in FY2021. Acuité believes that the liquidity of the company however is likely to remain stretched over the medium term on account of moderate cash accruals, full utilization of its short term facilities and advance payments done for the projects awarded. Thus creating pressure on the liquidity in short term.

Rating Sensitivities

- Improvement, sustainability and healthy growth of revenues and profitability margins.
- Deterioration in the working capital cycle leading to stress on the liquidity position.
- Timely approval of debt funds from the financiers and completion of projects.

Material Covenants

None

Outlook: Negative

Acuité believes that the credit profile of the company is likely to face pressures over the medium term owing to stretched liquidity and buildup in debtors due to falling crude prices and excess stock of crude. The ratings may be downgraded in case of further elongation in the working capital cycle further impairing its liquidity position. Conversely, the outlook may be revised to 'Stable' in case of significant and sustainable improvement in working capital cycle thereby translating into significant improvement in its liquidity profile and Debt protection indicators.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	63.35	51.93
PAT	Rs. Cr.	11.39	6.75
PAT Margin	(%)	17.70	13.00
Total Debt/Tangible Net Worth	Times	0.75	0.83
PBDIT/Interest	Times	3.48	3.79

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-52.htm>
- Service Sector Entities - <https://www.acuite.in/view-rating-criteria-50.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
29-Mar-2019	Cash Credit	Long term	10.00	ACUITE BBB/Stable (Upgraded)
	Term Loan	Long term	4.10	ACUITE BBB/Stable (Upgraded)
	Term Loan	Long term	3.43	ACUITE BBB/Stable (Upgraded)
	Term Loan	Long term	0.78	ACUITE BBB/Stable (Upgraded)
	Term Loan	Long term	0.44	ACUITE BBB/Stable (Upgraded)
	Term Loan	Long term	0.97	ACUITE BBB/Stable (Upgraded)
	Term Loan	Long term	16.72#	ACUITE BBB/Stable (Upgraded)
	Bank Guarantee	Short term	6.00	ACUITE A3+ (Upgraded)
	Bank Guarantee	Short term	4.75	ACUITE A3+ (Upgraded)
	Proposed Bank Facility	Long term	0.85	ACUITE BBB/Stable (Upgraded)
15-Mar-2018	Cash Credit	Long Term	5.50	ACUITE BBB-/Stable (Reaffirmed)
	Term Loan	Long Term	4.84	ACUITE BBB-/Stable (Reaffirmed)
	Term Loan	Long Term	4.98	ACUITE BBB-/Stable (Reaffirmed)
	Term Loan	Long Term	1.94	ACUITE BBB-/Stable (Reaffirmed)
	Term Loan	Long Term	1.04	ACUITE BBB-/Stable (Reaffirmed)
	Term Loan	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-2018	Cash Credit	Long Term	5.50	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	4.84	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	4.98	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	1.94	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	1.04	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	0.97	ACUITE BBB-/Stable (Assigned)
	Proposed Bank Facility	Long 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
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.75	ACUITE A3+ (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB / Negative (Reaffirmed)
Term Loan	Sept, 2017	Not Applicable	May, 2021	4.10	ACUITE BBB / Negative (Reaffirmed)
Term Loan	April 2019,	Not Applicable	Jan, 2024	16.72#	ACUITE BBB / Negative (Reaffirmed)
Term Loan	April 2019,	Not Applicable	Jan, 2024	3.43	ACUITE BBB / Negative (Reaffirmed)
Term Loan	April 2019,	Not Applicable	Jan, 2024	0.78	ACUITE BBB / Negative (Reaffirmed)
Term Loan	April 2019,	Not Applicable	Jan, 2024	0.44	ACUITE BBB / Negative (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.85	ACUITE BBB / Negative (Reaffirmed)

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About Acuité Ratings & Research:

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