

Press Release

BVishal Oil and Energy Limited

May 27, 2021

Rating Downgraded and Assigned



Total Bank Facilities Rated*	Rs.70.00 Cr.
Bank Facilities Rated	Rs.62.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable (Downgraded from ACUITE BBB to ACUITE D and revised to ACUITE BB+)
Short Term Rating	ACUITE A4+ (Downgraded from ACUITE A3+ to ACUITE D and revised to ACUITE A4+)
Bank Facilities Rated	Rs.8.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded the long term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE BBB**' (read as **ACUITE triple B**) and the short term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.62.00 Cr. bank facilities of BVishal Oil and Energy Limited (BVOEL).

Subsequently, Acuité has revised and upgraded the long term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE D**' (read as **ACUITE D**) and the short term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) from '**ACUITE D**' (read as **ACUITE D**) on the Rs.62.00 Cr. bank facilities of BVishal Oil and Energy Limited (BVOEL). The outlook is '**Stable**'.

Acuité has assigned the long term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs.8.00 Cr. bank facilities of BVishal Oil and Energy Limited (BVOEL). The outlook is '**Stable**'.

Rationale for revision of ratings

The revision in the ratings factors delay in repayment of the USD denominated foreign currency bank loan facility for the month of April 2021 which was on account of delayed reimbursements arising out of Covid-19 induced lockdown from its counterparties. The relatively higher number of bank holidays in the month of April 2021 led to further delay in securing foreign currency funds. However, the account was regularised after 15 days from the due date.

The rating continues to factor the stable business risk profile marked by established customer base and healthy order book position. The ratings also factors in constraints faced in the form of Intensive working capital requirements, dependency on revenue in foreign currency against foreign currency bank loan repayments, tender based nature of the business and stretched liquidity position.

About the Company

Incorporated in 2017 by Mr. Ramesh Chaudhary, Gujarat based BVishal Oil and Energy Limited (BVOEL) is engaged in business of providing various oil field services like work over Rigs Service, Drilling Services, Mud Engineering Services, Well Stimulation Services, Supply of Chemicals, Hot Oiler Unit Services, Supply of Spare Parts, Man power Services, Polymer injection services, Surface production services and other expert services to the petroleum industry.

Analytical Approach

Acuité has considered the standalone view of the business and financial risk profile of BVOEL to arrive at the rating.

Key Rating Drivers

Strengths

- **Stable business risk profile supported by experienced management and healthy order book**

The promoter, Mr. Ramesh Chaudhary has experience of around two decades in the oil exploration industry. He is supported by second line of management, which includes Mr. Bharat Chaudhary, Mr. Vishal Chaudhary, and Ms. Pallavi Chaudhary. Backed by an experienced management, BVOEL has been able to generate healthy relations with its reputed clientele. BVOEL in recent past has been able to onboard new customers such as Sun Petrochemicals, Baker Hughes Singapore PTE and National Oil Well Maintenance Co. to name a few. The company in past has work with several reputed entities such as Schlumberger Asia Services Limited (SASL) and Cairn India Ltd among others.

BVOEL has been able to grow in FY2021 as visible from the operating income which stood at Rs.70.12 crore in FY2021 (Provisional) as against Rs.64.44 crore in FY2020. The improvement in operating income has further trickled down to the operating margins as visible in the EBITDA margin of 43.76 percent in FY2021 (Provisional) as against 32.65 percent in FY2020 and PAT margin of 25.46 percent in FY2021 (Provisional) as against 15.96 percent in FY2020. Similarly, ROCE has also improved to 21.52 percent in FY2021 (Provisional) as against 18.94 percent in FY2020.

BVOEL has a healthy order book of Rs.273.26 crore of which Rs.104.46 worth of orders is expected to be executed in FY2022 indicating comfortable revenue visibility in the near term.

Acuite believes that BVOEL will continue to benefit from the promoter's established presence in the industry, its improving business risk profile supported by health order book providing revenue over the medium term.

Weaknesses

- **Unfavourable debt repayment track record due to pandemic related restrictions**

BVOEL has had unfavourable track record in repayment of the foreign currency loan denominated in USD in the month of April. While the delays can be attributed to delayed reimbursement for the services provided due to covid induced lockdown, the lack of adequate hedging mechanism and absence of additional sources to honour such commitments present significant risks.

Acuite believes BVOEL's timely repayment of such commitments and its ability to arrange funds from additional sources as back up to honour those commitments will be a key rating factor.

- **Intensive Working capital requirements**

BVOEL's working capital requirements remain intensive marked by near 100 percent utilisation of fund based bank facilities, while non-fund based facility remains utilised at more than 60 percent. Further GCA days has deteriorated to 222 days on account of increase in other current assets. The debtors' collection period remained stable at 95 days in FY2021 (Provisional) as against 94 days in FY2020, while creditors' payment period have reduced to 38 days in FY2021 (Provisional) as against 59 days in FY2020. Build-up in other current assets is on account of advance paid for purchase of asset in transit.

Near 100 percent, utilisation of fund-based limits can be attributed to delayed reimbursements from customers resulting in stress on its working capital requirement.

Acuite 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, where the business depends on the ability to bid for contracts successfully. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts. However, this risk is mitigated to an extent on account of extensive experience of the management.

- **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 of the business and financial risk profile.

Liquidity position: Stretched

BVOEL has stretched liquidity position as visible in delay of repayment of the USD denominated foreign currency bank loan facility on account of delayed reimbursements arising out of Covid-19 induced lockdown from its counterparties in April 2021. BVOEL had Net Cash Accruals (NCA) of Rs.20.98 crore vis-à-vis its maturing debt obligations of Rs.11.14 crore as on March 31, 2021 (Provisional). The cash accruals are

expected to improve to the range of Rs.30.00 – Rs.40.00 crores against repayment obligations of Rs.7.00-Rs.14.00 crores from the FY2022-24 period. The Cash and Bank balance stood at Rs.1.76 crore as on March 31, 2021 (Provisional) and the current ratio stood at 1.77 times as on March 31, 2021 (Provisional) as against 0.81 times as on March 31, 2020.

Acuite believes that BVOEL's ability to secure reimbursements from counterparties to service its bank facilities remains a key rating factor in the near to medium term.

Rating Sensitivities

- Significant improvement in scale of operations while sustaining its profitability margins and financial risk profile.
- Deterioration in the working capital cycle leading to stress in the debt protection metrics or the liquidity position of the firm.

Material Covenants

None

Outlook: Stable

Acuite believes that BVOEL will maintain a 'Stable' outlook over the medium term from its promoters' industry experience and healthy order book. The outlook may be revised to 'Positive' in case of significant growth in its revenues, while improving its profitability and stabilizing its operations as well as improvement in working capital management. Conversely, the outlook may be revised to 'Negative' in case the company registers significant decline in revenues or profitability margins, cash accruals, delay in execution of projects or if the financial risk profile deteriorates due to higher-than-expected increase in debt-funded capex/requirements or working capital requirements resulting in deterioration in the overall capital structure.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	70.12	64.44
PAT	Rs. Cr.	17.85	10.28
PAT Margin	(%)	25.46	15.96
Total Debt/Tangible Net Worth	Times	0.95	0.82
PBDIT/Interest	Times	5.04	4.08

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-May-2020	Term Loan	Long Term	4.10	ACUITE BBB / Negative (Reaffirmed; Outlook revised to Negative)
	Term Loan	Long Term	16.72	ACUITE BBB / Negative (Reaffirmed; Outlook revised to Negative)
	Term Loan	Long Term	3.43	ACUITE BBB / Negative (Reaffirmed; Outlook

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
				revised to Negative)
	Term Loan	Long Term	0.78	ACUITE BBB / Negative (Reaffirmed; Outlook revised to Negative)
	Term Loan	Long Term	0.44	ACUITE BBB / Negative (Reaffirmed; Outlook revised to Negative)
	Cash Credit	Long Term	10.00	ACUITE BBB / Negative (Reaffirmed; Outlook revised to Negative)
	Bank Guarantee	Short Term	10.75	ACUITE A3+ (Reaffirmed)
	Proposed Bank Facility	Long Term	0.85	ACUITE BBB / Negative (Reaffirmed; Outlook revised to Negative)
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 (Withdrawn)
	Term Loan	Long Term	16.72	ACUITE BBB / Stable (Assigned)
	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 (Assigned)
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 A3 (Assigned)
	Bank Guarantee	Short Term	4.75	ACUITE A3 (Assigned)
08-Mar-2018	Cash Credit	Long Term	5.50	ACUITE BBB- / Stable (Assigned)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
	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. Cr.)	Ratings/Outlook
Term Loan – I	September, 2017	11.35%	August, 2021	2.17 (Revised from 4.10)	ACUITE BB+ / Stable (Downgraded from ACUITE BBB to ACUITE D and revised to ACUITE BB+)
Term Loan – II	July, 2019	9.00%	January, 2024	15.94* (Revised from 16.72)	ACUITE BB+ / Stable (Downgraded from ACUITE BBB to ACUITE D and revised to ACUITE BB+)
Term Loan – III	October, 2016	11.40%	February, 2022	2.36 (Revised from 3.43)	ACUITE BB+ / Stable (Downgraded from ACUITE BBB to ACUITE D and revised to ACUITE BB+)
Term Loan – IV	October, 2016	11.35%	February, 2020	0.78	ACUITE BB+ / Stable (Downgraded from ACUITE BBB to ACUITE D and revised to ACUITE BB+)
Term Loan – V	October, 2016	11.35%	February, 2020	0.44	ACUITE BB+ / Stable (Downgraded from ACUITE BBB to ACUITE D and revised to ACUITE BB+)
Term Loan – VI	September, 2020	11.35%	September, 2025	8.00	ACUITE BB+ / Stable (Downgraded from ACUITE BBB to ACUITE D and revised to ACUITE BB+)
Cash Credit	Not Applicable	11.35%	Not Applicable	15.00 (Revised from 10.00)	ACUITE BB+ / Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	23.00 (Revised from 10.75)	ACUITE A4+ (Downgraded from ACUITE A3+ to ACUITE D and revised to ACUITE A4+)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.31 (Revised from 0.85)	ACUITE BB+ / Stable (Downgraded from ACUITE BBB to ACUITE D and revised to ACUITE BB+)

*includes sub-limit of FCNR to the extent of Rs.7.75 Cr.

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