

Press Release

BVishal Oil and Energy Limited

August 05, 2021



Rating Downgraded

Total Bank Facilities Rated*	Rs.70.0 Cr.
Long Term Rating	ACUITE D (Downgraded from ACUITE BB+/Stable)
Short Term Rating	ACUITE D (Downgraded from ACUITE A4+)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded the long term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.70.00 Cr. bank facilities of BVishal Oil and Energy Limited (BVOEL).

Rationale for revision of ratings

The revision of ratings take into account the delay in repayment of the long term loan bank facilities for the month of June 2021 on account of delay in receipt of receivables from counterparties.

The rating also factors in constraints faced in the form of Intensive working capital requirements, Hedging risks, Tender based nature of the business and Debt funded capital expenditure approach adopted by the management.

About the rated entity

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 (considered in last rationale)

• Comfortable 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 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.

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.

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

Weaknesses

• Unfavorable debt repayment track record

BVOEL has had unfavourable track record in repayment of term loan. There has been delay in term loan repayment due in June 2021 on account of delayed realisation of receivables. The instalments are deducted from current account. However, on account of recent RBI norm (RBI DOR No.BP.BC.30/21.04.048/2020-21) wherein it is not allowed to maintain multiple accounts with bank, the current account has been closed. Further, there has been time lag of 15-20 days for updation of cash credit accounts with its client for future deposits of payment.

Nevertheless, in past also the company had delayed the repayment of the foreign currency loan denominated in USD in the month of April 2021. The delays had been attributed to delayed reimbursement for the services provided due to COVID induced lockdown.

However, it could be inferred from the above two instances that absence of monitoring of regular debt repayment by company along with inadequate hedging mechanism and absence of additional sources to honour such commitments presents significant risks.

Acuité 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 has 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.

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, 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.

Rating Sensitivities

- Ability to monitor and repay its debt repayment on due date on regular basis.
- Improving scale of operations while maintaining profitability.
- Elongation in receivables leading to further deterioration in working capital cycle.

Material Covenants

None

Liquidity Position: Stretched

The liquidity position of BVOEL is stretched with delayed realisation of receivables from its client.

The Net Cash Accruals (NCA) of BVOEL remained at Rs.20.98 crore vis-à-vis its maturing debt obligations of Rs.11.14 crore as on March 31, 2021 (Provisional), giving liquidity buffer. However, as the debt repayment is to be done on monthly basis, any delay in receivables is expected to impact the revenue streams of the company.

The Cash Accruals are expected to be in 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. Acuité believes that ability of BVOEL to a keep track of its debt repayment and timely servicing of the same will be a key monitoring factor.

Outlook: Not Applicable

About the Rated Entity - Key Financials (considered in last rationale)

	Unit	FY21 (Prov.)	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)

Not Applicable

Any other information

None.

Applicable Criteria

- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.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
27-May-2021	Term Loan	Long Term	2.17	ACUITE BB+/Stable (Downgraded from ACUITE BBB to ACUITE Da and revised to ACUITE BB+)
	Term Loan	Long Term	15.94	ACUITE BB+/Stable (Downgraded from ACUITE BBB to ACUITE Da and revised to ACUITE BB+)
	Term Loan	Long Term	2.36	ACUITE BB+/Stable (Downgraded from ACUITE BBB to ACUITE Da and revised to ACUITE BB+)
	Term Loan	Long Term	0.78	ACUITE BB+/Stable (Downgraded from

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
				ACUITE BBB to ACUITE Da and revised to ACUITE BB+)
	Term Loan	Long Term	0.44	ACUITE BB+/Stable (Downgraded from ACUITE BBB to ACUITE Da and revised to ACUITE BB+)
	Term Loan	Long Term	8.00	ACUITE BB+/Stable (Downgraded from ACUITE BBB to ACUITE Da and revised to ACUITE BB+)
	Cash Credit	Long Term	15.00	ACUITE BB+/Stable (Assigned)
	Bank Guarantee	Short Term	23.00	ACUITE A4+ (Downgraded from ACUITE A3+ to ACUITE Da and revised to ACUITE A4+)
	Proposed Bank Facility	Long Term	2.31	ACUITE BB+/Stable (Downgraded from ACUITE BBB to ACUITE Da and revised to ACUITE BB+)
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 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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
	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)

***Annexure – Details of instruments rated**

Name of the Bank	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Bank of Baroda	Term Loan – I	September, 2017	11.35%	August, 2021	0.38 (Revised from 2.17)	ACUITE D (Revised from ACUITE BB+/Stable)
Bank of Baroda	Term Loan – II	July, 2019	9.00%	January, 2024	6.90 (Revised from 15.94)	ACUITE D (Revised from ACUITE BB+/Stable)
Bank of Baroda	Term Loan – III	October, 2016	11.40%	February, 2022	1.36 (Revised from 2.36)	ACUITE D (Revised from ACUITE BB+/Stable)
Bank of Baroda	Term Loan – IV	October, 2016	11.35%	February, 2020	0.78	ACUITE D (Revised from ACUITE BB+/Stable)
Bank of Baroda	Term Loan – V	October, 2016	11.35%	February, 2020	0.44	ACUITE D (Revised from ACUITE BB+/Stable)
Bank of Baroda	Term Loan – VI	September, 2020	11.35%	September, 2025	7.61 (revised from 8.00)	ACUITE D (Revised from ACUITE BB+/Stable)
Bank of Baroda	Cash Credit	Not Applicable	11.35%	Not Applicable	15.00	ACUITE D (Revised from ACUITE BB+/Stable)
Bank of Baroda	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	23.00	ACUITE D (Revised from ACUITE A4+)
Not Applicable	Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	14.53 (Revised from 2.31)	ACUITE D (Revised from ACUITE BB+/Stable)

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About Acuité Ratings & Research:

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