

Press Release

Vijay I Patel

June 20, 2018



Rating Assigned

| | |
|-------------------------------------|-----------------------------|
| Total Bank Facilities Rated* | Rs. 6.47 Cr. |
| Long Term Rating | ACUITE BB / Outlook: Stable |
| Short Term Rating | ACUITE A4+ |

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.6.47 crore bank facilities of Vijay I Patel (VIP). The outlook is '**Stable**'.

Established in 1995, Vijay I. Patel is a Gujarat based proprietorship firm engaged in providing civil construction. The firm is promoted by Mr. Vijay I. Patel who has experience of more than two decades in civil construction industry.

Key Rating Drivers

Strengths

• **Experienced management**

VIP was established in 1995 and is promoted by Mr. Vijay I. Patel. He has experience of over two decades in civil construction industry.

• **Moderate financial risk profile**

The financial risk profile is moderate marked by net worth of Rs.4.30 crore as on 31 March, 2017 as against Rs.3.67 crore as on 31 March, 2016. The gearing (debt to equity) stood at 1.02 times as on 31 March, 2017 from 0.85 times as on 31 March, 2016. This is due to increase in short term debt from Rs.0.55 crore as on 31 March, 2016 to Rs.1.57 crore as on 31 March, 2017. The coverage indicators stood comfortable with Interest Coverage Ratio (ICR) of 4.57 times in FY2017 as compared to 4.24 times in FY2016.

Weaknesses

• **Modest scale of operations**

VIP has modest scale of operations marked by operating income of Rs.15.82 crore in FY2017 as against Rs.9.81 crore in the previous year. The operating margins declined to 9.13 percent in FY2017 as against 10.64 percent in FY2016.

• **Working capital intensive operations**

VIP's operations are working capital intensive marked by Gross Current Assets (GCA) of 139 days in FY2017 as against 145 days in FY2016. This is mainly due to inventory of 51 days in FY2017 as compared to 50 days in FY2016. The company had debtors outstanding of 41 days in FY2017 as against 39 days in FY2016.

Analytical Approach

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

Outlook: Stable

Acuité believes that VIP will maintain a 'Stable' outlook owing to the promoters' extensive experience in the industry. The outlook may be revised to 'Positive' in case of significant increase in revenues while maintaining profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in financial risk profile or in case of further elongation of working capital cycle.

About the Rated Entity - Key Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 15.82 | 9.81 | 13.13 |
| EBITDA | Rs. Cr. | 1.44 | 1.04 | 1.28 |
| PAT | Rs. Cr. | 0.82 | 0.50 | 0.70 |
| EBITDA Margin (%) | (%) | 9.13 | 10.64 | 9.78 |
| PAT Margin (%) | (%) | 5.17 | 5.06 | 5.32 |
| ROCE (%) | (%) | 14.88 | 11.77 | 31.97 |
| Total Debt/Tangible Net Worth | Times | 1.02 | 0.85 | 0.84 |
| PBDIT/Interest | Times | 4.57 | 4.24 | 4.70 |
| Total Debt/PBDIT | Times | 2.88 | 2.81 | 2.13 |
| Gross Current Assets (Days) | Days | 139 | 145 | 105 |

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.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 |
|------------------------------------|------------------|----------------|----------------|-------------------------------|--------------------|
| Term loans | Not Applicable | Not Applicable | Not Applicable | 0.29 | ACUITE BB / Stable |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 0.17 | ACUITE BB / Stable |
| Overdraft | Not Applicable | Not Applicable | Not Applicable | 3.00 | ACUITE BB / Stable |
| Bank guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 3.00 | ACUITE A4+ |
| Proposed | Not Applicable | Not Applicable | Not Applicable | 0.01 | ACUITE BB / Stable |

Contacts

| Analytical | Rating Desk |
|---|---|
| Suman Chowdhury President - Rating Operations Tel: 022-67141107 suman.chowdhury@acuite.in | Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in |
| Leena Gupta Analyst - Rating Operations Tel: 022-67141172 leena.gupta@acuiteratings.in | |

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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