

Press Release

Vijay Builders And Construction Private Limited

September 07, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) to the Rs.15.00 crore bank facilities of Vijay Builders And Construction Private Limited (VBCPL). The outlook is '**Stable**'.

VBCPL is a Mumbai based company currently promoted by Mr. Suneel Alreja, Mr. Karan Alreja and Mr. Abhishek Alreja. VBCPL is engaged in civil construction and primarily undertakes contracts for oil and gas PSUs in the states of Kerala, Karnataka, Madhya Pradesh, Chhattisgarh, Goa, Gujarat, Haryana, Maharashtra and Orissa. Mr. Vashdev Alreja is the father of the current promoters who started the business as a contractor in 1978 as a sole proprietorship concern, and reconstituted as a private limited company in 2006.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Vijay Builders and Construction Private Limited to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management and reputed clientele**

VBCPL continues to benefit from its experienced management. Mr. Suneel Alreja possess more than three decades of experience in the aforementioned line of business. This long experience led to the healthy relations with reputed clients such as Hindustan Petroleum Corporation Ltd (HPCL) and Bharat Petroleum Corporation Ltd (BPCL) among others. The company has established long relationship with their customers and suppliers spanning more than three decades. VBCPL receives contracts from these PSUs to be executed pan India. Acuité believes that VBCPL will continue to leverage from the promoter's longstanding relations with customers to achieve sustainable growth in its operating income.

- **Comfortable financial risk profile**

The financial risk profile is marked by comfortable gearing and comfortable debt protection metrics though underpinned by low net worth levels. The net worth stood at Rs.8.57 crore as on 31 March, 2018 (Provisional), improved by Rs.0.70 crore as compared to FY2017; it was mainly due to accretion of profit to internal accruals. Gearing is comfortable at 0.49 times as on March 31, 2018 (Provisional) as compared to 0.36 times as on March 31, 2017. Debt protection metrics of interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) are comfortable at 3.03 times and 0.18 times respectively in FY2018 (Provisional).

Acuité believes that the gearing levels are expected to be at around 0.50 time on account of no major debt funded capex plans in near term.

- **Modest order book position**

VBCPL has unexecuted order book position of Rs.41.04 crore as on 31 July, 2018. The same is to be executed till the end of next year, thereby providing revenue visibility over the medium term.

Weaknesses

• Modest scale of operations

The company is in the same line of business since 2006, but its operations continue to remain modest marked by operating revenue of Rs.32.55 crore for FY2017 which has slightly grown to Rs.33.37 crore in FY2018 (Provisional). More than 70 percent of revenue is derived executing tenders for oil and gas PSUs, exposing the firm to high customer concentration risk. Any slowdown in quantum of tenders being floated, and the company's ability to win them would have a significant bearing on the company's business profile. Although, the company has sizeable orders, revenue is expected to remain moderate over the medium term.

• Working capital intensive nature of operations and stretched liquidity

The operations are working capital intensive in nature marked by Gross Current Assets (GCA) days of 204 (Provisional) in FY2018 and 162 in FY2017. The GCA days are high on account of high debtors and creditors of 115 days and 81 days respectively in FY2018 (Provisional). High debtors are on account of year end effect as around Rs.8.00 crore of bills were booked on March 2018. The company had inventory holding of 43 days in FY2018 (Provisional) as against 58 days in FY2017.

• Susceptibility of margins to volatility in raw material prices

VBCPL margins are susceptible to volatility in raw material prices. The key raw material required is fuel, cement, steel and iron, metal, concrete to name a few. The company procures substantial portion of raw materials from local suppliers based on proximity to the construction site. Adverse changes in prices may affect the profitability of the company.

Outlook: Stable

Acuité believes that VBCPL 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 significant growth in its revenue and profitability while maintaining comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of stretched working capital cycle or deterioration in its financial risk profile due to higher than expected debt funded capex plan.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	33.37	32.55	18.73
EBITDA	Rs. Cr.	1.57	1.23	1.03
PAT	Rs. Cr.	0.71	0.59	0.47
EBITDA Margin	(%)	4.70	3.78	5.52
PAT Margin	(%)	2.14	1.80	2.52
ROCE	(%)	12.77	11.73	9.84
Total Debt/Tangible Net Worth	Times	0.49	0.36	0.34
PBDIT/Interest	Times	3.03	3.65	3.78
Total Debt/PBDIT	Times	2.70	2.24	2.35
Gross Current Assets (Days)	Days	204	162	215

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.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)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB/ Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BB/ Stable (Assigned)
Proposed	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB/ Stable (Assigned)

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About Acuité Ratings & Research:

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