

Press Release

Vijay Builders And Construction Private Limited

October 03, 2019



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating to '**ACUITE BB**' (**read as ACUITE double B**) on 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 VBCPL 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 benefit from the promoter's longstanding relations with customers to achieve sustainable growth in its operating income

- Moderate financial risk profile**

The financial risk profile is moderate marked by healthy gearing and moderate debt protection metrics though underpinned by low net worth levels. The net worth stood at Rs.9.19 crore as on 31 March, 2019, improved by Rs.0.73 crore as compared to FY2017; it was mainly due to accretion of profit to internal accruals. Gearing is comfortable at 0.48 times in FY2019 as compared to 0.57 times in FY2018. Debt protection metrics of interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) are comfortable at 3.37 times and 0.19 times respectively in FY2019.

Acuité believes that the gearing levels are expected to be low on account of no major debt funded capex plans in near 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.36.18 crore for FY2019 as compared to Rs.32.03 crore in FY2018. 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**

The operations are working capital intensive in nature marked by Gross Current Assets (GCA) days of 169 in FY2019 and 225 in FY2018. The GCA days are high on account of high debtors of 73 days and 104 days in FY2019 and FY2018 respectively. High debtors are on account of year end effect. The company's inventory days stood 27 days in FY2019 and FY2018.

- **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.

Rating Sensitivity

- Improving operating performance.
- Stretched working capital cycle and liquidity.

Material Covenants

None

Liquidity Position – Adequate

The company has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.56 crore – Rs. 0.83 crore during the last four years through 2016-19, while its maturing debt obligations were nil over the same period. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 169 in FY 2019. This has led to moderate reliance on working capital borrowings, the cash credit limit of the company remains utilised at ~75.00 per cent during the last 6 months period ended October 2019. The company maintains unencumbered cash and bank balances of Rs.0.87 crore as on March 31, 2019. The current ratio of the company stood healthy at 2.62 times as on March 31, 2019. The company is not likely to incur any capex over the medium term. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accrual and no major repayments over the medium term.

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	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	36.18	32.03	32.55
EBITDA	Rs. Cr.	1.52	1.43	1.23
PAT	Rs. Cr.	0.73	0.60	0.59
EBITDA Margin	(%)	4.21	4.46	3.78
PAT Margin	(%)	2.01	1.86	1.80
ROCE	(%)	10.73	11.32	11.73
Total Debt/Tangible Net Worth	Times	0.48	0.57	0.36

PBDIT/Interest	Times	3.37	2.58	3.65
Total Debt/PBDIT	Times	2.88	3.40	2.24
Gross Current Assets (Days)	Days	169	225	162

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

ICRA, vide its press release dated July 30, 2019 had denoted the rating of VBCPL as 'ICRA BB'; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings. The earlier rating, however, stood at 'ICRA BB/Stable' vide its press release dated January 30, 2018.

Any other information

None

Applicable Criteria

- Default Recognition -<https://www.acuite.in/view-rating-criteria-17.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
07-Sept-2018	Overdraft	Long Term	3.00	ACUITE BB/Stable (Assigned)
	Bank Guarantee	Long Term	8.00	ACUITE BB/Stable (Assigned)
	Proposed	Long Term	4.00	ACUITE BB/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
Overdraft	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB /Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BB /Stable (Reaffirmed)

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About Acuité Ratings & Research:

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