

Press Release

Vijay Builders and Construction Private Limited

February 19, 2021

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**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**'.

About the Company

VBCPL is a Mumbai based company currently promoted by Mr. Suneel Alreja, Mr. Karan Alreja and Mr. Abhishek Alreja. 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. 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.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of VBCPL to arrive at the rating.

Key Rating Drivers

Strengths

- Established track record of operations and experience management**

VBCPL was incorporated in year 1978 and has an established presence of over 4 decades. The company is promoted by Mr. Suneel Alreja, Mr. Karan Alreja and Mr. Abhishek Alreja with over 3 decades of experience in construction industry. They have also developed strong and healthy relationship with customers such as Hindustan Petroleum Corporation Ltd (HPCL) and Bharat Petroleum Corporation Ltd (BPCL), among others. Acuite believes that the company will continue to benefit with the promoters experience and its established presence in the industry, improving its business risk profile over the medium term.

- Moderate financial risk profile**

VBCPL's financial risk profile is marked by moderate net worth, gearing (debt-equity) and debt protection metrics. The tangible net worth of the company stood at Rs.9.86 crore as on March 31, 2020 as against Rs.9.19 crore as on March 31, 2019. The total debt of Rs.3.44 crore as on March 31, 2020 consist of Rs.0.06 crore of long term debt, Rs.1.95 crore of unsecured loans from directors and Rs.1.43 crore of short term debt. The gearing (debt-equity) stood at 0.35 times as on March 31, 2020 as compared to 0.48 times as on March 31, 2019. The Interest Coverage Ratio stood at 3.43 times for FY2020 as against 3.37 times for FY2019. Total Outside Liabilities/Total Net Worth (TOL/TNW) stood at 0.65 times as on March 31, 2020 as against 0.88 times as on March 31, 2019. Net Cash Accruals to Total Debt (NCA/TD) also stood at 0.22 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 2.86 times in FY2020 (Provisional) as against 2.81 times in FY2019. Acuite believes that the financial risk profile of VBCPL will continue to remain moderate over the medium term in the absence of any major debt-funded capital expenditure.

Weaknesses

• Intensive working capital cycle

The company has an intensive working capital cycle marked by Gross Current Assets (GCA) days of 154 days in FY2020 and 169 days in FY2019. The receivable days stood at 67 days in FY2020 as against 73 days in FY2019. The inventory days stood at 24 days in FY2020 as against 27 days in FY2019. The average bank limit utilization remained utilized 17 percent for the past 6 months ending November 2020.

Acuite believes that efficient working capital management will be crucial to the company in order to maintain a healthy risk profile.

• 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 Sensitivities

- Improving scale of operations while maintaining profitability.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material Covenants

None

Liquidity Position: Stretched

VBCPL has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.65 to 0.85 crore during the last three years through 2018-20. The company's working capital operation is intensive marked by Gross Current Asset (GCA) of 154 days in FY2020 as against 169 days in FY2019. The company maintains unencumbered cash and bank balances of Rs.0.06 crore as on March 31, 2020. The current ratio of the company stands at 3.52 times as on March 31, 2020. The average bank limit utilization is around 17 percent for the last 6 months ending November 2020.

Outlook: Stable

Acuite 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	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	36.78	36.18
PAT	Rs. Cr.	0.66	0.73
PAT Margin	(%)	1.80	2.01
Total Debt/Tangible Net Worth	Times	0.35	0.48
PBDIT/Interest	Times	3.43	3.37

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>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.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
03-Dec-2019	Overdraft	Long Term	3.00	ACUITE BB/Stable (Reaffirmed)
	Bank Guarantee	Long Term	12.00	ACUITE BB/Stable (Reaffirmed)
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 Acuite Ratings & Research:

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