



Press Release
Vijay Builders And Construction Private Limited
May 12, 2022
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	ACUITE BB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	15.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed its long term rating of '**ACUITÉ BB**' (read as **ACUITE double B**) on the Rs 15.00 Cr. bank facilities of Vijay Builders and Construction Private Limited (VBCPL). The outlook is '**Stable**'.

Rationale for reaffirmation

The rating reaffirmation draws its comfort from established track record of company for more than four decades along with experienced management. Further, the rating factors in low gearing levels along with comfortable debt protection metrics. However, the above mentioned strengths are partly offset by working capital intensive operations and competition in the industry due to tender driven business along with susceptibility in margin due to volatility in raw material prices.

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 four decades in this line of business. The company is promoted by Mr. Suneel Alreja, Mr. Karan Alreja and Mr. Abhishek Alreja with over three decades of experience in construction industry. They have also developed strong and healthy relationship with reputed customers such as Bhumi Procon Pvt Ltd (BPPL), Bharat Petroleum Corporation Ltd (BPCL) and G.R. Engg Pvt. Ltd. (ONGC), among others.

Acuité 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

The financial risk profile of the company stood moderate marked by moderate net worth, low gearing and comfortable debt protection metrics. The tangible net worth stood at Rs.9.96 crore as on 31 March, 2021 as against Rs.9.86 crore as on 31 March, 2020. The total debt of the company stood at Rs.2.68 crore includes Rs.0.36 crore of long term debt, Rs.1.45 crore unsecured loans from directors and Rs.0.86 crore of short term debt as on 31 March, 2021. The gearing (debt-equity) stood at 0.27 times as on 31 March, 2021 as compared to 0.35 times as on 31 March, 2020 where as Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 0.43 times as on 31 March, 2021 as against 0.65 times on 31 March, 2020. The debt protection metrics stood comfortable with Interest Coverage Ratio stood at 2.88 times for FY2021 as against 3.43 times for FY2020 where as Debt Service Coverage Ratio (DSCR) stood at 2.59 times in FY2021 as against 2.86 times in FY2020. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.08 times for FY2021.

Acuité 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 management

The working capital management of the company is intensive marked by GCA days of 309 days in FY2021 as against 154 days in FY2020. GCA days majorly comprises of the debtor days, which stood at 96 days in FY2021 as against 67 days in FY2020. The receivable days has increased majorly due to most of the billings being done in the end of the month of March. However, the inventory days remain around 91 days for FY 2021 as against 24 days for FY 2020, due to increase in unbilled revenue which has been reported in work-in-progress.

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

>Highly Competitive Industry with Susceptibility of margins to volatility in raw material prices

The infrastructure is a fairly fragmented industry with a presence of few large pan India players. The company faces stiff competition with its competitors in procuring orders through bidding, immense competition for procuring tenders leads to very competitive pricing which in turn lead to stress on the margins. Further, 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

- Improvement in scale of operations and profitability margin.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material covenants

None.

Liquidity Position: Adequate

The company's liquidity position is adequate marked by sufficient net cash accruals. The company has net cash accruals in the range of Rs.0.20-0.83 Crore from FY 2019- 2021. And also, is expected to generate a sufficient cash accrual in the range of Rs0.58-0.87 crores against the maturing repayment obligations of around Rs.0.06-0.12 crore over the medium term. The working capital management of the company is intensive marked by GCA days of 309 days in FY2021 as against 154 days in FY2020. The company maintains unencumbered cash and bank balances of Rs.0.07 crore as on March 31, 2021. The company has also availed

mobilization advances of Rs.70 Lakh. The current ratio stands at 5.31 times as on March 31, 2021. The average bank limit utilization for the past 6 months ending March 2022 is ~ 39.95 percent.

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.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	15.80	36.78
PAT	Rs. Cr.	0.11	0.66
PAT Margin	(%)	0.67	1.80
Total Debt/Tangible Net Worth	Times	0.27	0.35
PBDIT/Interest	Times	2.88	3.43

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 Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 Feb 2021	Bank Guarantee	Long Term	12.00	ACUITE BB Stable (Reaffirmed)
	Secured Overdraft	Long Term	3.00	ACUITE BB Stable (Reaffirmed)
03 Dec 2019	Bank Guarantee	Long Term	12.00	ACUITE BB Stable (Reaffirmed)
	Secured Overdraft	Long Term	3.00	ACUITE BB Stable (Reaffirmed)
07 Sep 2018	Bank Guarantee	Long Term	8.00	ACUITE BB Stable (Assigned)
	Secured Overdraft	Long Term	3.00	ACUITE BB Stable (Assigned)
	Proposed Bank Facility	Long Term	4.00	ACUITE BB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BB Stable Reaffirmed
Canara Bank	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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