



Press Release
Vijay Builders And Construction Private Limited
July 31, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	8.50	ACUITE BB Stable Reaffirmed	-
Bank Loan Ratings	6.50	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	15.00	-	-

Rating Rationale

Acuite has reaffirmed its 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 15.00 Cr. bank facilities of Vijay Builders and Construction Private Limited (VBCPL). The outlook is '**Stable**'.

Rationale for reaffirmation

The rating re-affirmation considers VBCPL's stable operating performance and moderate financial risk profile. The operating income increased consistently over the last three years and achieved the pre-covid levels and stood at Rs.36.70 crore in FY2023(Prov.) against Rs.34.48 crore in FY2022 and Rs.15.80 crore in FY2021. The operating margins improved to 4.06 percent in FY2023(Prov) against 3.45 percent in FY2022 and 2.06 percent in FY2021. Further, the rating factors in the low gearing levels and moderate debt-protection metrics. However, the strengths are partially offset by the working capital-intensive nature of operations and competition in the industry due to tender based nature of operations along with susceptibility of margins 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 experienced 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

Moderate Financial Risk Profile

The financial risk profile of the company is moderate marked by moderate low gearing, moderate debt protection metrics and net worth. The tangible net worth stood at Rs.11.20 crore as on 31 March 2023(Prov) as against Rs.10.56 crore as on 31 March 2022. The total debt of the company stood at Rs.5.88 crore, which includes Rs.0.59 crore of long-term debt, Rs.2.61 crore unsecured loans from directors and Rs.2.67 crore of short-term debt as on 31 March 2023(Prov). The gearing (debt-equity) stood at 0.52 times as on 31 March 2023(Prov) as compared to 0.41 times as on 31 March 2022. Interest Coverage Ratio stood at 2.77 times for FY2023(Prov) as against 4.23 times for FY2022. The deterioration in the ICR is due to increase in finance cost during the year. Debt Service Coverage Ratio (DSCR) stood at 2.40 times in FY2023(Prov) as against 3.48 times in FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.08 times as on 31 March 2023(Prov) as against 0.87 times on 31 March 2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.13 times for FY2023(Prov).

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 nature of working capital operations

The working capital management of the company is intensive marked by GCA days of 220 days in FY2023(Prov) as against 201 days in FY2022. The debtor days stood at 66 days in FY2023(Prov) as against 64 days in FY2022. The average contract execution cycle ranges between 6 months to 18 months. The billing is done at frequent intervals on running basis. The payment is received post 15-30 days of issuing the bills. The inventory days stood at 91 days in FY2023(Prov) against 79 days in FY2022. The creditor days stood at 66 days in FY2023(Prov) against 56 days in FY2022. The company is allowed a credit period of 15-30 days with advance payments to some suppliers. The average bank limit utilisation stood at 80 percent for the last 7 months ending April 2023.

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 generations. The company is expected to generate cash accruals in the range of Rs.0.92-1.04

crore over the medium term against modest maturing debt repayment obligations of Rs.0.10-0.15 crore during the same period. The working capital management of the company is intensive marked by GCA days of 220 days in FY2023(Prov) as against 201 days in FY2022. The company maintains unencumbered cash and bank balances of Rs.0.24 crore as on March 31, 2023 (Prov). The current ratio stands at 2.44 times as on March 31, 2023(Prov). The average bank limit utilization for the past 7 months for Canara Bank ending April 2023 is ~ 80 percent.

Outlook:Stable

Acuite believes that VBCPL will maintain a 'Stable' outlook over the medium term owing to a moderate executable order book position. 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 any significant stretch in working capital cycle or deterioration in its financial risk profile due to higher-than-expected debt funded capex plan.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	36.70	34.48
PAT	Rs. Cr.	0.64	0.60
PAT Margin	(%)	1.74	1.73
Total Debt/Tangible Net Worth	Times	0.52	0.41
PBDIT/Interest	Times	2.77	4.23

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

ICRA vide its press release dated 28th Feb 2023, had rated the company to ICRA B+/Stable; Issuer Not Cooperating.

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
12 May 2022	Secured Overdraft	Long Term	3.00	ACUITE BB Stable (Reaffirmed)
	Bank Guarantee	Long Term	12.00	ACUITE BB Stable (Reaffirmed)
19 Feb 2021	Bank Guarantee	Long Term	12.00	ACUITE BB Stable (Reaffirmed)
	Secured Overdraft	Long Term	3.00	ACUITE BB Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	6.50	ACUITE A4+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	5.50	ACUITE BB Stable Reaffirmed
Canara Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	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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