



Press Release
Vijay Builders And Construction Private Limited
October 28, 2024
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	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long term rating of ‘**ACUITE BB**’ (read as **ACUITE double Ba**) 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 Constructions Private Limited (VBCPL). The outlook is ‘**Stable**’.

Rationale for reaffirmation

The rating reaffirmation considers VBCPL’s overall improved financial risk profile, particularly the debt coverage indicators and gearing levels, primarily on account of lower finance cost and debt levels. However, the revenue and profitability of the company declined in FY2024. The revenue declined to Rs. 31.86 Cr. in FY2024 from Rs. 36.54 Cr. in FY2023 because of lower orders in hands and delay in billing from customers. The operating margin of the company declined to 2.30 percent in FY2024 from 3.02 percent in FY2023. However, these 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.

Unsupported Rating

Not Applicable

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, 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 is moderate marked by moderate net worth, low gearing, and healthy debt protection metrics. The net worth of the company stood at Rs.11.48 Cr. in FY 2024, as against Rs.11.08 Cr. in FY2023. The total debt of the company stood at Rs.2.18 Cr., which includes Rs.0.20 crore of long-term debt, Rs.1.90 Cr. of unsecured loans and Rs.0.09 Cr. of short-term debt as on March 31, 2024. The gearing of the company stood healthy at 0.19 times as of March 31, 2024 as compared to 0.53 times as of March 31, 2023. The TOL/TNW of the company stood at 0.58 times as of March 31, 2024 as against 1.06 times as of March 31, 2023. Further, the debt protection metrics stood healthy reflected by Interest coverage ratio (ICR) of 30.35 times in FY24 as against 2.19 times in FY 2023. The debt service coverage ratio (DSCR) of the company stood at 4.92 times in FY2024 as compared to 1.96 times in the previous year. The improvement in debt protection metrics in on account of lower finance cost incurred during the year. Further, the Debt-Ebitda of the company stood improved at 2.83 times in FY2024 as against 4.68 times in FY2023. The net cash accruals to total debt (NCA/TD) stood at 0.27 times in FY2024 as against 0.09 times in FY2023.

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 operations of the company is intensive, marked by GCA days of 187 days in FY2024 as against 211 days in FY2023. The debtor's collection period stood at 24 days in FY2024 as against 51 days in FY2023. The average contract execution cycle ranges between 6 months to 18 months. The billing is done on running basis at frequent intervals. The payment is received post 15-30 days of issuing the bills. The inventory days stood at 71 days in FY2024 as against 91 days in FY2023. The creditors days stood at 42 days in FY2024 as against 67 days in FY2023. Generally, the company gets 30 days credit period from its suppliers. However, the average utilization of working capital for fund-based limits remained moderate, averaging around 76% over the last 6 months ending Sep 2024.

Acuite believes that the ability of the company to manage its working capital operations efficiently will remain a key rating sensitivity.

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

- Ability to sustain steady growth in scale of operations and profitability, while improving the financial risk profile.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Liquidity Position

Adequate

The company's liquidity position is adequate marked by sufficient accruals generation against its repayment obligations.

The company generated average net cash accruals of Rs. 0.59 Cr. in FY2024 against repayment obligation of Rs. 0.10 Cr. Further, it is expected to generate average cash accrual in the range of Rs.0.80-1 Cr. against nominal repayment obligation over the medium term. The working capital operations of the company are intensive in nature marked by GCA days of 187 days in FY2024 along with moderate reliance on working capital limits with average utilisation of ~76% over the last 6 months ending Sep 2024. The company maintains unencumbered cash and bank balances of Rs.0.40 Cr. as on March 31, 2024. The current ratio stands at 3.54 times as on March 31, 2024 as against 2.50 times as on 31 March, 2023.

Going ahead, the liquidity is expected to remain adequate on account of moderate cash accrual generation and buffer available from moderately utilised working capital limits.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	31.86	36.54
PAT	Rs. Cr.	0.40	0.39
PAT Margin	(%)	1.25	1.08
Total Debt/Tangible Net Worth	Times	0.19	0.53
PBDIT/Interest	Times	30.35	2.19

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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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	
31 Jul 2023	Secured Overdraft	Long Term	3.00	ACUITE BB	Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	5.50	ACUITE BB	Stable (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	6.50	ACUITE A4+ (Reaffirmed)	
12 May 2022	Secured Overdraft	Long Term	3.00	ACUITE BB	Stable (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Long Term	12.00	ACUITE BB	Stable (Reaffirmed)
19 Feb 2021	Bank Guarantee (BLR)	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	Quantum (Rs. Cr.)	Complexity Level	Rating
Canara Bank	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.50	Simple	ACUITE A4+ Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.50	Simple	ACUITE BB Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.00	Simple	ACUITE BB Stable Reaffirmed

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Apurva Kumari Associate Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

About Acuité Ratings & Research

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