

## Press Release

Vibrant Construction Private Limited

May 02, 2022



### Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	16.00	-	ACUITE A4+   Reaffirmed
Bank Loan Ratings	2.00	ACUITE BB   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	18.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and its short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the **Rs.18.00 crore** bank facilities of Vibrant Construction Private Limited (VCPL). The outlook is '**Stable**'.

#### Rationale for Reaffirmation

The rating reaffirmation draws comfort from experience of its management of over a decade in civil construction, increase in revenue in FY 2021. However, the above strengths are partly offset by moderate financial risk profile, working capital intensive operations and tender based competitive nature of industry.

#### About the Company

Vibrant Construction Private Limited was incorporated in 2003, and is an Ahmedabad based company engaged in civil construction business. It engages in only government contracts of construction of roads, bridges, building, electrical sub-station, water supply system, to name a few. The day to day operations are managed by its directors, Mr. Ajaykumar Prakashchandra Agrawal, Mr. Ketul Ajaykumar Agrawal, Mr. Dhairya Ajaykumar Agrawal and Mrs. Sunitaben Ajaykumar Agrawal.

#### Analytical Approach

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

#### Key Rating Drivers

##### Strengths

##### Experienced management

VCPL commenced operations from 2003. The company is promoted by its directors, Mrs. Sunitaben Ajaykumar Agrawal, Mr. Ajaykumar Prakashchandra Agrawal, Mr. Ketul Ajaykumar

Agrawal and Mr. Dhairya Ajaykumar Agrawal who has an experience of over a decade in civil construction industry. The extensive experience has enabled the company to forge healthy relationships with customers and suppliers. It has reputed clientele which includes Hindustan Petroleum Corporation Limited (HPCL), Indian Oil Corporation (IOC), Engineers India Limited (EIL), Haryana Vidyut Prasaran Nigam Limited (HVPNL), Ahmedabad Municipal Corporation, to name a few.

The experience of management is reflected through improve in operating income in FY 2021 to Rs.56.56 Cr as against Rs.42.76 Cr in FY2020. Further, the company has also achieved a turnover of Rs 61 crore in FY 2022.

Acuité believes that the company will continue to benefit from its experienced management and established relationships with customers.

### **Moderate financial risk profile**

The financial risk profile is moderate marked by modest net worth and moderate debt protection metrics and gearing. The net worth of the company is modest at Rs.13.73 crore as on 31 March 2021 as against Rs.11.33 crore as on 31 March 2020 and Rs. 9.28 crore as on 31 March 2019. The gearing (debt to equity) of the company stood at 1.02 times as on March 31, 2021, as against 1.01 times as on March 31, 2020. Total debt of Rs.14.02 crore consists of term loan of Rs.6.4 crore, unsecured loans from financial institutions of Rs.3.48 crore and short-term borrowing of around Rs. 4.14 crore as on 31 March 2021. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 3.17 times as on 31 March 2021 as against 4.10 times as on 31 March 2020. Further, Interest Coverage Ratio (ICR) improved to 2.82 times in FY2021 from 2.32 times in FY2020. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.23 times as on 31 March 2021 from 0.25 times as on 31 March 2020. Debt Service Coverage Ratio (DSCR) deteriorated to 0.97 times in FY2021 from 1.09 times in FY2020.

Acuité believes the financial risk profile of the company is expected to remain moderate backed by moderate cash accruals and no major debt-funded capex in the near to medium term.

### **Weaknesses**

#### **Working Capital Intensive Operations**

The working capital of VCPL is intensive in nature marked by high Gross Current Asset (GCA) days of 334 for FY2021 as against 439 in the previous year. This is on account of improvement in debtor days which stood at 133 for FY2021 as against 149 for FY2020, further current assets of the company also increased to Rs.26.39 crore in FY2021 from Rs.23.64 crore in previous year. Inventory days also improved to 32 days in FY2021 from 100 days in FY2020 as majority of the work-in-progress inventory was billed. However, the reliance on working capital facility is high, its utilization is around ~77 percent on an average for last 6 months ending March 2022.

Acuité believes the ability of the company to efficiently manage its working capital requirements will remain the key rating sensitivity.

#### **Tender based business along with competitive and fragmented industry**

Major business is bagged through open tenders. Hence, the revenue earned is directly dependent upon the quantum of contracts bagged and executed during the year. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts. Company has to do tendering on competitive prices; this may affect the profitability of the firm. Moreover, the infrastructure sector is marked by the presence of various mid to big size players. It might face intense competition from the other players in the sectors. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts. However, this risk is mitigated to an extent as management operating in this industry for the last two decades.

### **Rating Sensitivities**

- Significant improvement in scale of operations along with profitability.
- Stretch in working capital cycle and deterioration in liquidity position.

### **Material covenants**

None.

### Liquidity Position: Stretched

VCPL has stretched liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.3.17 crore in FY2021 as against Rs.2.89 crore in FY2020, while its maturing debt obligation was around Rs.3.76 crore and Rs.3.36 crore for the same period. The company's working capital operations are intensive as marked by high gross current asset (GCA) days of 334 in FY2021. Further, the reliance on working capital borrowings is high, the cash credit limit in the company remains utilized at ~77 percent during the last 6 months' period ended March 2022. The company maintains unencumbered cash and bank balances of Rs.0.30 crore as on March 31, 2021. The current ratio of the company stands at 1.44 times as on March 31, 2021, as against 1.37 times as on March 31, 2020.

### Outlook: Stable

Acuité believes that the company will maintain 'Stable' outlook over the medium term on back of experience of its management. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in company's operating income or profitability, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure and debt protection metrics.

### Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	56.56	42.76
PAT	Rs. Cr.	2.40	2.04
PAT Margin	(%)	4.24	4.78
Total Debt/Tangible Net Worth	Times	1.02	1.01
PBDIT/Interest	Times	2.82	2.32

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

Not Available

### Any other information

Not Applicable.

### 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
05 Feb 2021	Bank Guarantee	Short Term	16.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BB   Stable (Reaffirmed)
30 Dec 2019	Cash Credit	Long Term	2.00	ACUITE BB   Stable (Assigned)
	Bank Guarantee	Short Term	16.00	ACUITE A4+ (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE A4+   Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB   Stable   Reaffirmed

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### About Acuité Ratings & Research

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