

Press Release

Vinayak Support Services Private Limited

May 05, 2021



Rating Assigned

Total Bank Facilities Rated	Rs.12.30 crore
Long Term Rating	ACUITE BBB/ Stable (Assigned)

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BBB**' (**read as ACUITE triple B**) on the Rs.12.30 crore bank facilities of Vinayak Support Services Private Limited (VSSPL). The outlook is '**Stable**'.

The rating on VSSPL takes into account the strong business profile of the BKB Group marked by its established presence in the coal mining and related services, reputed client base and its healthy order book. The rating is also supported by its healthy financial risk profile. These strengths are however, partly offset by working capital intensive operations and susceptibility to fluctuations in demand and intense competition.

About the company

Incorporated in 1993, Vinayak Support Services Private Limited (VSSPL) is promoted by the Agarwal family. It is a Jharkhand based company engaged in coal transportation and mining for clients including Hindalco Industries Limited. It also executes orders for trading of bauxite and coal.

About the Group

Incorporated in 1990, BKB Transport Private Limited (BTPL) is a Jharkhand based company engaged in coal transportation, mining contracts and civil works. Initially, the company started with coal transportation and from 2004 they ventured into civil works. For coal transportation the company is doing road to road and road to rail mode of transportation. In 2007, the company entered into contract mining for overburden removal with Central Coalfields Limited (CCL). Currently, for mining it is also involved in blasting, drilling and site levelling. The company is promoted by the Agarwal family consisting of Mr. Subodh Agarwal, Mr. Vinod Agarwal, Mr. Pramod Agarwal and Mr. Arun Agarwal.

Analytical Approach

Acuité has considered the consolidated business and financial risk profiles of BTPL and VSSPL, together known as BKB Group, to arrive at this rating. The consolidation is on account of cross holdings, common promoters and similar line of business. Extent of consolidation: Full

Key Rating Drivers

Strengths

• Established presence in the industry

The group is promoted by the Jharkhand based Agarwal family consisting of Mr. Subodh Agarwal, Mr. Vinod Agarwal, Mr. Pramod Agarwal and Mr. Arun Agarwal who have a long track record of over thirty years of experience in the field of coal transportation, contract mining and trading of coal and bauxite. Acuité believes the established presence in the industry has helped the company to develop a healthy relationship with its customers and suppliers and will continue to support the business risk profile over the medium term

• Healthy order book and reputed clientele

BKB group currently has existing orders of worth around Rs.895.57 crores as on 1st January 2021 from reputed clients including National Thermal Power Corporation (NTPC) Limited, Central Coalfields Limited, Hindalco Industries Limited, Vedanta Limited, Tata Power Limited and many more to be executed in the next two to three years, thereby providing adequate revenue visibility in the medium term.

• Healthy financial risk profile

The group's financial risk profile is marked by high net worth, comfortable gearing and strong debt protection metrics. The net worth of the group increased to Rs.116.59 crores as on March 31, 2020, compared to Rs.103.90

crores on March 31, 2019 backed by accretion to reserves. Acuité has considered unsecured loans of Rs.15.71 crores as on March 31, 2020 as quasi-equity as the management has undertaken to maintain the amount in the business over the medium term. Gearing of the group stood comfortable at 0.46 times as on March 31, 2020 as against 0.55 times as on March 31, 2019. The debt of Rs.53.91 crores consists of short term debt of Rs.32.58 crores, long term debt of Rs.15.43 crores and current maturity of term loan of Rs.5.90 crores as on March 31, 2020. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.40 times as on March 31, 2020 as against 1.61 times as on March 31, 2019. The strong debt protection metrics of the group is marked by Interest Coverage Ratio at 3.19 times in FY2020 compared to 4.17 times in FY2019 and Debt Service Coverage Ratio at 1.57 times in FY2020 compared to 1.42 times in FY2019. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.35 times in FY2020 against 0.41 times in FY2019. Acuité believes that going forward the financial risk profile of the group will remain healthy over the medium term, in absence of any major debt funded capex plans.

Weaknesses

- **Working capital intensive operations**

The company's operations are working capital intensive marked by Gross Current Asset (GCA) of 175 days in FY2020 as against 141 days in FY2019. The rise in GCA days is mainly on account of high debtor days which elongated to 106 days for FY2020 against 74 days in FY19 due to disruption in operations in March end. However, the inventory period stood comfortable at 7 days in FY2020 as compared to 4 days in FY2019. Going forward, the ability of the company to reduce its receivable position will remain a key monitorable.

- **Susceptibility to fluctuations in demand and end user sector challenges**

The major users of coal belong to steel, power and cement industry and hence, the demand for coal depends on these industries. Lower demand from these industries will impact the overall performance of the company. Increasing cost of supply as against environmentally friendly and economically attractive options of solar and wind power has led to significant reduction in energy consumption from power plants, putting the power plants under financial distress. Further, capital intensive steel and metal plants have been under low potential utilization and have been experiencing reduced productivity amidst global competition and slowdown in domestic economic conditions. Any policy changes affecting the highly regulated coal industry or its end users will impact the business risk profile of BKB group. The ability of BKB group to grow in such conditions and maintain its profitability will be key monitorable in the future.

Rating Sensitivity

- Further elongation in working capital management
- Sustenance of the financial risk profile

Material Covenants

None

Liquidity Profile: Adequate

The group's liquidity is adequate marked by steady net cash accruals of Rs.18.67 crores in FY2020 as against long term debt repayment of Rs.7.89 crores in the previous year. The current ratio stood comfortable at 1.57 times as on March 31, 2020 as compared to 1.50 times as on March 31, 2019. The cash and bank balances of the group stood at Rs.1.87 crores as on March 31, 2020 as compared to Rs.1.57 crores as on March 31, 2019. However, the fund based limit remains utilised at 85 per cent over the nine months ended December, 2020. Acuité believes that going forward, the group will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that the outlook on BKB Group will remain 'Stable' over the medium term backed by its experienced management and healthy financial risk profile. The outlook may be revised to 'Positive' in case the group registers more than envisaged sales and profitability while maintaining its financial risk profile. The outlook may be revised to 'Negative' in case of the group fails to achieve envisaged revenue and profitability and its working capital cycle gets stretched or its financial risk profile deteriorates in the medium term.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	458.00	539.57
PAT	Rs. Cr.	11.29	14.46
PAT Margin	(%)	2.47	2.68
Total Debt/Tangible Net Worth	Times	0.46	0.55
PBDIT/Interest	Times	3.19	4.17

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

CRISIL vide its press release dated 22nd July, 2020 has mentioned the rating for VSSPL of 'CRISIL BB/Issuer not cooperating'.

Any other information

Not Applicable

Applicable Criteria

- Services Entities – <https://www.acuite.in/view-rating-criteria-50.htm>
- Trading Entities – <https://www.acuite.in/view-rating-criteria-61.htm>
- Consolidation of companies-<https://www.acuite.in/view-rating-criteria-60.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition – <https://www.acuite.in/view-rating-criteria-52.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs.) Crore	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BBB/ Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.80	ACUITE BBB/ Stable (Assigned)
Term Loan	Not Available	Not Available	Not Available	3.50	ACUITE BBB/ Stable (Assigned)

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About Acuité Ratings & Research:

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