

Press Release

Vinayak Support Services Private Limited

February 27, 2023

Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.30	ACUITE BBB Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	12.30	-	-

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from **ACUITE BB+** (Read as **ACUITE Double B Plus**) on the Rs.12.30 crore bank facilities of Vinayak Support Services Private Limited (VSSPL). The outlook is '**Stable**'.

Rating Rationale

The rating reflects extensive industry experience of the promoters, healthy order book with established customer relationships, and the group's above average financial risk profile. These strengths are partially offset by its exposure to tender-based operations with cyclicity in the end user industry, and operating margins susceptibility to fuel and coal price fluctuations.

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

Acuite 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

Long operational track record and experienced management

Incorporated in 1990, BKB group started operations from 1992 and has a long track record of over 25 years in the field of coal transportation, contract mining and civil work. 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. The experienced management and a long track record have resulted in establishing BKB group as an important player in Jharkhand.

Healthy order book and reputed clientele

BKB group has a reputed clientele and benefits from its long-standing relationship of more than a decade with key customers including Coal India Limited and Hindalco Industries Limited among others resulting in repeat business. The group has healthy unexecuted order book of over Rs. 1090.11 crore as on January 2023 providing adequate revenue visibility in near term. The top line of the group improved significantly in FY22, which stood at Rs. 526.22 crore as on FY22 as compared to Rs. 294.31 crore as on FY21. The growth in revenue is driven by high demand from end user industry like iron and steel, power, cement. The revenue for 6MFY23 stood at Rs.357.80 crore (prov).

Healthy financial risk profile

The group's financial risk profile is marked by healthy net worth, comfortable gearing and strong debt protection metrics. The net worth of the group increased to Rs.121.82 crore as on March 31, 2022, compared to Rs.107.66 crore on March 31, 2021 backed by accretion to reserves. Acuite has treated unsecured loans of Rs.16.76 crore as part of net worth as the amount is subordinated to bank debt. Gearing of the group stood comfortable at 0.57 times as on March 31, 2022 as against 0.64 times as on March 31, 2021. The debt of Rs.69.33 crore consists of short term debt of Rs.28.68 crore, long term debt of Rs.12.84 crore and current maturity of term loan of Rs.7.90 crore as on March 31, 2022. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.58 times as on March 31, 2022 as against 1.40 times as on March 31, 2021. The strong debt protection metrics of the group is marked by Interest Coverage Ratio at 3.51 times in FY2022 compared to 2.37 times in FY2021 and Debt

Service Coverage Ratio at 1.62 times in FY2022 compared to 1.38 times in FY2021. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.27 times in FY2022 against 0.17 times in FY2021. Acuite believes that going forward the financial risk profile of the group will remain healthy over the medium term backed by steady accruals and no major debt funded capex plans.

Weaknesses

Working Capital Intensive nature of Operations

The working capital management of the group is marked by Gross Current Assets (GCA) of 168 days as on March, 2022 as compared to 244 days as on March, 2021. The high level of GCA days is on account of high level of current assets due to significant advances given to suppliers. Further, the debtor period also stood high at 92 days as on March, 2022 as compared to 153 days as on March, 2021. However, the inventory period stood comfortable at 6 days in FY2022 as compared to 15 days in FY2021. Acuite believes that the working capital operations of the group will remain at same level over the medium term given the nature of the industry.

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 Sensitivities

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

Material covenants

None

Liquidity Position Adequate

The group's liquidity is adequate marked by steady net cash accruals of Rs.18.51 crore in FY2022 as against long term debt repayment of Rs.7.90 crores in the previous year. The current ratio stood comfortable at 1.70 times as on March 31, 2022 as compared to 1.72 times as on March 31, 2021. The cash and bank balances of the group stood at Rs.1.35 crore as on March 31, 2022 as compared to Rs.1.55 crore as on March 31, 2021. However, the fund based limit remains utilized at 79 per cent over the six months ended November, 2022. 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	526.22	294.31
PAT	Rs. Cr.	14.16	6.78
PAT Margin	(%)	2.69	2.31
Total Debt/Tangible Net Worth	Times	0.38	0.42
PBDIT/Interest	Times	3.51	2.37

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

Infomercials, vide its press release dated August 24, 2022 had denoted the rating of VINAYAK SUPPORT SERVICES PRIVATE LIMITED as 'IVR BB+'; ISSUER NOT COOPERATING'.

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria->

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. -or 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
01 Aug 2022	Term Loan	Long Term	3.50	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Secured Overdraft	Long Term	4.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	4.80	ACUITE BB+ (Downgraded and Issuer not co-operating*)
05 May 2021	Secured Overdraft	Long Term	4.00	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	3.50	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	4.80	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.80	ACUITE BBB Stable Upgraded
Punjab National Bank	Not Applicable	Term Loan	19 Oct 2020	8.25	31 Mar 2024	Simple	3.50	ACUITE BBB Stable Upgraded

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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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