



Press Release

BVG India Limited (BVGIL)

February 6, 2024

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Compl exity Indica tor
Long Term Bank Facilities	665.33	IVR A+/ Stable (IVR A Plus with Stable Outlook)	Reaffirmed	Simple
Long Term / Short Term Bank Facilities	462.38	IVR A+/ Stable / IVR A1+ (IVR A Plus with Stable Outlook / IVR A One Plus)	Reaffirmed	Simple
Total	1127.71 (Rupees One Thousand One Hundred Twenty Seven crore and Seventy One lakh Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings of BVGIL reflects sustained improvement in total operating income along with comfortable debt protection metrics and capital structure. The ratings continue to derive strength from experienced promoters and long track record of operations and healthy order book. The ratings however constrained by elongated operating cycle, competition from other players and low entry barriers.

Key Rating Sensitivities:

Upward Factors

- Sustained growth in operating income along with improvement in EBITDA margin
- Maintenance of overall gearing below unity without any substantial increase in debt
- Sustained improvement in operating cycle.



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Downward Factors

- Further deterioration in profitability margins leading to deterioration in debt protection metrics.
- Further elongation in operating cycle.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Sustained improvement in total operating income; albeit slight declined in EBITDA margins**

BVGIL's total operating income has improved to Rs.2,309.7 crore in FY23 registering a growth of 14% over a previous year. The improvement is driven by addition of clients and post COVID-19 there is thrust on hygiene factors among corporates. BVGIL has reported revenue of Rs.1,312.72 crore for 1HFY24. Despite improvement in total operating income, BVGIL EBITDA margins have declined to 12.78% in FY23 (FY22:14.25%) due to change in business mix. Revenue share from government contracts have declined to 33% in FY23 (FY22: 60%) and rest from private companies. The company has changed its business mix and thrust towards private companies due to quick realisation of payments.

- **Comfortable debt protection metrics and capital structure**

The overall gearing ratio as well as TOL/TNW has remained comfortable in FY23 as compared to FY22 and at 0.43x and 0.96x respectively (FY22: 0.46x and 1.20x). BVGIL is incurring capex of Rs.57.20 crore during FY24 and FY25 funded through mix of debt (85%) and balance through internal accruals to set up a Solar Module Manufacturing Assembly plant in Noida, Uttar Pradesh. IVR notes that this debt led capex is not expected to impact the debt protection metrics in FY24 and FY25 due to strong net worth base. BVGIL's interest coverage ratio remained almost stable at 4.17x in FY23 over 4.19x in FY22. Total debt/ GCA has also remained stable at 2.86x in FY23 over 2.61x in FY22.

- **Experienced promoters**



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BVGIL's promoter, Mr. Hanmantrao R. Gaikwad (Chairman and Managing Director) have extensive experience in facility management industry. Mr. Hanmantrao R. Gaikwad established BVG group. The promoter is supported by a team of qualified professionals.

- **Geographical diversification and reputed clientele**

BVGIL provides varied services and solutions to all its customers in Government segment like Parliament House, Prime Minister House and Prime Minister Office, Semi-government segment including PSUs and autonomous bodies like Supreme Court of India, State Bank of India, The Oil and Natural Gas Corporation Limited etc. and private companies. BVGIL has recently awarded housekeeping services contract for Ram Mandir (Ayodhya) and Killambakam Bus Terminus (Chennai).

- **Healthy order book**

The company is having orders in hand of Rs.3,902 crore as on September 30, 2023 which is around 1.70x of FY23 total operating income which is execute over a period of next 1 and half years which provides medium term total operating income visibility.

Key Rating Weaknesses

- **Elongated operating cycle**

The operating cycle has improved to 133 days in FY23 over 169 days in FY22, due to improvement in average debtor days, which improved from 162 days in FY22 to 148 days in FY23. Gross debtors more than 180 days stood at Rs.620.04 crore as on 31 December 2023 which is ~47% of debtors. However, Infomerics draws comfort as BVGIL has already provided Rs.245.00 crore against these debtors.

- **Competition from other players**

The industry is highly fragmented due to the presence of a number of organized and unorganized players leading to high competition in the industry. Also, the nature of business being tender-based, tender-based operations involve intense competition and competitive bidding which may affect its profitability.

Analytical Approach: Standalone



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Applicable Criteria:

[Policy on Default Recognition](#)

[Criteria of assigning Rating outlook](#)

[Rating Methodology for service sector entities](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

Liquidity – Strong

BVGIL's liquidity is expected to remain strong given the expected cash accruals in the range of Rs. 163.54 crore to Rs. 256.96 crore through FY24 to FY26 as against debt repayment ranging Rs.24 crore through FY24 to FY26. The free cash and cash equivalents balance stood at Rs.53.46 crore as on March 31, 2023, while average fund based utilisation for the 12 months ended November 2023 stood at ~93% The current ratio stood at 2.08x at the end of FY23 (FY22:1.74x).

About the Company

BVGIL is India's largest integrated services company. BVGIL, having its headquarter in Pune, was incorporated in 1997 by Mr. Hanmantrao Ramdas Gaikwad. BVGIL provides varied services and solutions like mechanized housekeeping, healthcare, emergency services, landscaping and gardening, logistic and transportation, civil and electrical etc.

Financials (Standalone)*:

	(Rs. Crore)	
For the year ended / As on	31-Mar-2022 (Audited)	31-Mar-2023 (Audited)
Total Operating Income	2030.92	2309.70
EBITDA	289.38	295.24
PAT	120.87	126.55
Total Debt	376.58	402.82
Tangible Net worth	825.40	934.89
EBITDA Margin (%)	14.25	12.78
PAT Margin (%)	5.94	5.47
Overall Gearing Ratio (times)	0.46	0.43

*Classification as per Infomerics standards

Status of non-cooperation with previous CRA: Nil



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Any other information: None

Rating History for last three years:

S. No	Name of Instrument/ Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22 (May 10, 2021)	Date(s) & Rating(s) assigned in 2020-21 (April 30, 2020)
1.	Term Loan	Long Term	50.32	IVR A+/ Stable	<ul style="list-style-type: none">IVR A+/ Stable (March 31, 2023)IVR A+/ Stable (July 22, 2022)	IVR A/ Stable	IVR A/ Stable
2.	Cash Credit	Long Term	615.01	IVR A+/ Stable	<ul style="list-style-type: none">IVR A+/ Stable (March 31, 2023)IVR A+/ Stable (July 22, 2022)	IVR A/ Stable	IVR A/ Stable
3.	LCs/ BGs	Long Term / Short Term	383.38	IVR A+/ Stable / IVR A1+	<ul style="list-style-type: none">IVR A+/ Stable / IVR A1+ (March 31, 2023)IVR A+/ Stable / IVR A1+ (July 22, 2022)	IVR A/ Stable / IVR A1	IVR A/ Stable / IVR A1
4.	Proposed LCs/ BGs	Long Term / Short Term	79.00	IVR A+/ Stable / IVR A1+	<ul style="list-style-type: none">IVR A+/ Stable / IVR A1+ (March 31, 2023)IVR A+/ Stable / IVR A1+ (July 22, 2022)	-	-

Name and Contact Details of the Rating Analyst:

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About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities.

The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities



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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	–	–	Upto January 2030	50.32	IVR A+/ Stable
Cash Credit	–	–	–	615.01	IVR A+/ Stable
LCs/ BGs	–	–	–	383.38	IVR A+/ Stable / IVR A1+
Proposed LCs/ BGs	–	–	–	79.00	IVR A+/ Stable / IVR A1+

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-BVG-India-6feb24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.