



Press Release

BVG India Limited

July 6, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	661.45 (reduced from Rs.671.20 crore)	IVR A+/ Stable (IVR Single A Plus with Stable Outlook)	Reaffirmed	Simple
Long Term/ Short Term Bank Facilities	470.38 (enhanced from Rs.461.50 crore)	IVR A+/ Stable/ IVR A1+ (IVR Single A Plus with Stable Outlook/ IVR A One Plus)	Reaffirmed	Simple
Total	1131.83 (Rupees One Thousand One Hundred Thirty One crore and Eighty Three lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of the BVG India Limited (BVGIL) derives strength from its experienced promoters, bouquet of integrated services, nation-wide presence and large client base. The ratings also factor in the comfortable financial risk profile of the company and its healthy order book position. The ratings are, however, constrained by BVGIL's elongated operating cycle, impending matter of the income tax search and competition from other players.

Key Rating Sensitivities:

Upward Factors

- Sustained growth in operating income of over 20% along with improvement in EBITDA margin of above 15%
- Maintenance of overall gearing below unity without any substantial increase in debt
- Sustained improvement in operating cycle.



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Downward Factors

- Deterioration in profitability margins leading to deterioration in debt protection metrics
- Further elongation in operating cycle
- Any adverse outcome of the Income Tax proceedings and its subsequent impact on the company's operational as well as financial parameters.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

BVGIL's promoters, Mr. Hanmantrao Ramdas Gaikwad (Chairman and Managing Director, B.E. Electronics) and Mr. Umesh Mane (Vice Chairman and Joint Managing Director, M.Com.) have extensive experience in facility management industry. Mr. Hanmantrao Ramdas Gaikwad established "Bharat Vikas Services" in 1997 along with Mr. Umesh Mane and 8 employees, with an aim of creating employment opportunities for rural youth. In 2002, Bharat Vikas Utility Services Ltd. was formed to undertake major ventures. In 2004, the name of the company was changed to BVG India Ltd. As Vice Chairman & Joint MD of BVGIL, Mr. Umesh Mane is responsible for entire operations and execution of the company. The promoters are supported by a team of qualified professionals.

Bouquet of Integrated services

The company is engaged in complete bouquet of integrated services viz. total facility management, mechanized housekeeping, emergency medical and police services, solid waste management, transportation, plant relocations, attendant services and labour supply. It also undertakes various projects for garden development, landscaping, beautification projects, engineering and other contracts for government, semi-government and private organisations.

Nation-wide presence and large client base

Known to be amongst the best facility management brands, having around 60,000 employees, BVGIL's operations are spread pan India over 780 sites in over 70 cities and 20 states providing services to over 750 clients. With a strong, dedicated team of professionals, BVGIL provides varied services and solutions to all its customers in Government segment like



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Parliament House, Prime Minister House and Prime Minister Office, Semi-government segment including PSUs and autonomous bodies like Supreme Court, various High Courts, SBI, ONGC etc. and Private segment like Tata Motors Ltd., Bajaj, Mahindra, Accenture, ITC, ONGC etc. Around 16% of its total operating income is derived from government segment clients, around 40% from private segment clients, and the balance 44% from semi-government clients. The company has high client retention rate with 70% repeat customers.

Comfortable financial risk profile

Total operating income declined by 14%, from Rs.1923.48 crore in FY20 to Rs.1662.93 crore in FY21, mainly on account of Covid-19 pandemic lock down declared by Government of India from March 18, 2020 onwards. The company's operations were almost shut for three months i.e. from April 1, 2020, to June 30, 2020. Accordingly, it reported lower revenue during this period. Post unlocking, BVGIL reported around 22% increase in the total operating income to Rs.2030.92 crore in FY22. EBITDA margin improved from 12.60% in FY20 to 13.59% in FY21 and further to 14.25% in FY22. The company has been undertaking automation and mechanisation activities, especially in the Facility Management Services (FMS) segment, which is resulting in better margins in the segment. Historically margins in the segment have been around 6-8%. With mechanisation and automation of activities, this has gone up to 10-12% in many contracts. Further, the proportion of the other two segments namely, Emergency Services (ES) segment and the Facility Management Projects (FMP) segment, has been going up in the recent times as compared to the FMS segment. As BVGIL typically derives around 20% margins in both these segments, its overall operating margin is also expanding. However, PAT margin continues to remain volatile at 5.94% in FY22 as against 5.45% in FY21 and 6.12% in FY20. GCA also remained volatile during FY19-22.

Overall gearing ratio and TOL/ TNW ratio improved and continued to remain comfortable at 0.76x and 1.58x respectively as on March 31, 2021 as against 0.94x and 1.80x respectively as on March 31, 2020. These ratios further improved to 0.46x and 1.20x respectively as on March 31, 2022. The improvement in the capital structure over the years is attributable mainly to the reduction in the debt levels of the company. BVGIL's interest coverage ratio remained almost stable at 3.05x in FY21 over 3.04x in FY20. It, however, improved to 4.25x in FY22. The Total debt/ GCA deteriorated from 4.84x in FY20 to 6.16x in FY21. However, the same has improved to 2.58x in FY22.



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Healthy order book

A healthy order book and market position provides strong revenue visibility for the medium term. The order inflow has been stable with an unexecuted order book position of Rs.2110.00 crore as on December 31, 2021 which is 1.04x of the operating income of FY22.

Key Rating Weaknesses

Elongated operating cycle

The operating cycle elongated from 158 days in FY20 to 169 days in FY22. This is mainly on account of its elongated collection period. The company's collection period remains elongated due to its client profile being skewed towards government and semi-government clients to whom the credit period extended by BVGIL is higher than the private segment clients. BVGIL holds inventory of around 35-40 days comprising mainly consumables. During FY21, its operating cycle has stretched to 203 days with elongation of the collection period to 193 days due to covid-19.

Impending matter of the Income Tax Search

On November 6, 2019, a Search/ Survey was conducted on the company by the Income Tax Department pursuant to provisions of Sec. 132/133 of the Income Tax Act, 1961 ("the IT Act"). The proceedings covered various office locations, and residences of certain directors and employees of the company. During the proceeding, the Income Tax Dept. had requisitioned books of accounts and other documents under section 132A/133 of the IT Act for A.Y. 2014-15 to A.Y. 2020-21 ('the Relevant years'). During the FY22, the Income Tax Department passed demand orders amounting to Rs.280.00 crore u/s 144 of the IT Act for the Relevant years. Subsequently, the company filed a rectification application u/s 154 of the IT Act seeking rectification of the errors apparent from the demand order. In response to this, the Income Tax Department issued rectified demand orders, taking into consideration certain issues raised by the company, thereby reducing the tax demand substantially. The amount of demand as per the rectified order is Rs.129.79 crore. Further, the company has also filed an appeal before the Commission of Income Tax (Appeals) against the demand orders for the Relevant years. The appeal proceedings are in process.



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The assessment was completed on a best judgement basis. During the assessment proceedings, the company had sought certain information and clarification from the Income Tax Department. Due to non-availability of sufficient information regarding the basis of additions in the assessment order, the management is currently unable to quantify any reasonable tax obligation that may arise out of the said search/survey proceedings. Accordingly, no provision has been made pursuant to above matter in the current year.

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

Applicable Criteria:

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Service Sector Entities](#)

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

Liquidity – Strong

The liquidity of the company is expected to improve and remain strong in the near to medium term marked by sufficient accruals vis-à-vis its debt repayment obligations. The average utilisation of working capital limits remained moderate at around 88% in the twelve months ended February 2022. Current ratio stood at 1.74x as on March 31, 2022, indicating comfortable short-term liquidity.

About the Company

BVGIL is India's largest integrated services company. BVGIL, having its headquarter in Pune (Hinjewadi, Phase-I), was incorporated in 1997 by Mr. Hanmantrao Ramdas Gaikwad and Mr. Umesh Gautam Mane (First Generation Entrepreneurs). BVGIL's genesis is Bharat Vikas Pratishthan set up in the year 1997 with 8 employees and the trust getting its first order for



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housekeeping contract from Tata Motors. Subsequently on March 20, 2002 Bharat Vikas Utility Services Ltd. was formed to undertake major ventures. Later on, the name of the company was changed to BVG India Ltd. (BVGIL) on July 7, 2004.

Known to be amongst the best facility management brands, having around 60,000 employees, BVGIL's operations are spread over 780 sites in over 70 cities and 20 states pan India providing services to over 750 clients. With a strong, dedicated team of professionals, BVGIL provides varied services and solutions like mechanized housekeeping, healthcare, emergency services, landscaping and gardening, logistic and transportation, civil and electrical etc. 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, various High Courts, SBI, ONGC etc. and Private segment like Tata Motors Ltd., Bajaj, Mahindra, Accenture, ITC, ONGC etc. BVGIL has filed a draft red herring prospectus (DRHP) with SEBI to raise around Rs.1,200-1,300 crore via an IPO.

Financials (Standalone):

	(Rs. crore)	
For the year ended/As on*	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	1662.93	2030.92
EBITDA	226.06	289.38
PAT	91.00	120.87
Total Debt	543.97	376.58
Tangible Net Worth	714.22	825.40
Ratios		
EBITDA Margin (%)	13.59	14.25
PAT Margin (%)	5.45	5.94
Overall Gearing Ratio (x)	0.76	0.46

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not applicable

Any other information: Nil

Rating History for last three years:



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Sr. No.	Name of Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Long Term Bank Facilities	Long Term	661.45	IVR A+/ Stable	IVR A+/ Stable (May 10, 2021)	IVR A/ Stable (April 23, 2020)	--
3.	Long Term/ Short Term Bank Facilities	Long Term/ Short Term	470.38	IVR A+/ Stable/ IVR A1+	IVR A+/ Stable/ IVR A1+ (May 10, 2021)	IVR A/ Stable/ IVR A1 (April 23, 2020)	--

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About Infomerics:

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

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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

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	650.00	IVR A+/ Stable
Term Loans	-	-	April 2027	11.45	IVR A+/ Stable
Letter of Credit/ Bank Guarantee	-	-	-	470.38	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-july22.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.