



Press Release

BVG India Limited

May 10, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned	Rating Action
1.	Long Term Bank Facility – Fund Based – Term Loan	4.20	IVR A+ / Stable Outlook (IVR Single A Plus with Stable Outlook)	Revised
2.	Long Term Bank Facility – Fund Based – Cash Credit	667.00	IVR A+ / Stable Outlook (IVR Single A Plus with Stable Outlook)	Revised
3.	Short Term – Non Fund Based Limits – Bank Guarantee	461.50	IVR A1+ (IVR A One Plus)	Revised
	Total	1132.70		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating revision to the bank facilities of the entity derives comfort from a comfortable financial risk profile, healthy order book, experience promoters, certifications and affiliations, the company's nation-wide presence with a large client base and provision of integrated services. However, the continual decline in EBITDA margin and volatility in PAT, an elongated operating cycle, impending matter of income tax search and competition from other players are the rating constraints.



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Key Rating Sensitivities

Upward factors:

- Sustained improvement in revenue and profitability while maintaining the debt protection metrics
- Improvement in cash conversion cycle

Downward factors:

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

Key Rating Drivers with detailed description

Key Rating Strengths

Comfortable financial risk profile

The company has a long term debt of only INR108.86 crore at the end of FY20, with a long term debt equity ratio of 0.16x, the overall gearing ratio is also moderate at 0.94x, the Total outside liabilities to Tangible net worth is also moderate at 1.80x. The debt protection metrics are adequate with an interest coverage ratio of 3.04x. The liquidity remains adequate with an above unity current ratio of 1.41x and a strong cash and bank balance of INR131.08 crore.

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 INR2900 crore which is 1.51x of the operating income in FY20. The company has added new business amounting to INR376 crore in FY20 with major orders from Bharat Aluminum Company, IIM Ahmedabad for provision of annual facilities management, TATA Motors Limited and Delhi Transport Infrastructure Development Corporation Limited.

Experienced Promoters

BVG's promoters, Mr. H. R. Gaikwad (Chairman and Managing Director, B.E. Electronics) and Mr. Umesh Mane (Vice Chairman and Joint Managing Director, M.Com.) have extensive



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experience in facility management industry. Mr. H. R. Gaikwad established a social-commercial business “Bharat Vikas Services” in 1997 along with Mr. Umesh Mane and just 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. Later on, the name of the company was changed to BVG India Ltd. in 2004. Mr. Umesh Mane is the co-promoter of Bharat Vikas Group. As Vice Chairman & Joint MD of BVG India Ltd., he is responsible for entire operations and execution of the Company. He has made BVG a Vibrant Company and enhanced the capacity of BVG to undertake any massive Job. The promoters are being supported by a team of qualified professionals.

Certifications & Affiliations

The Company has following certifications viz. ISO 9001:2008 (QMS Certified Company), OHSAS 18001:2007 (Occupational Health & Safety Management Systems), SA 8000:2008 (Social Accountability Standards), ENISO 14001:2004 (Environment Management Systems). The Company also has following affiliations viz. Cleaning Management Institute (CMI), USA, British Institute of Cleaning Sciences (BICS), UK, British Institute of Facility Management (BIFM), UK, International Facility Management Association (IFMA).

Nation-wide presence, large client base and provision of integrated services

Today known to be amongst the best Facility Management brands, having over 75,000+ employees, BVG family is spread over 780 sites in over 70 cities and 20 states Pan India providing services to over 750 satisfied clients. With a strong, dedicated team of thorough professionals, BVG provides varied services & solutions to all its customers in Government sector like Parliament House, Prime Minister House & office and Private sectors like Tata Motors Ltd., Bajaj, Mahindra, Accenture, ITC, and ONGC etc. The company has high client retention rate with 70% repeat customers. The Company is engaged in complete bouquet of integrated services viz. total facility management, mechanized housekeeping, emergency medical & police services, solid waste management, transportation, plant relocations, attendant services & labour supply. It also undertakes various projects for garden development, landscaping, beautification projects, engineering & other contracts for Government & private organizations.



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Key Rating Weaknesses

Continual decline in EBITDA margin & volatility in PAT margin

The EBITDA margins of the company has been on a declining trend since the past three fiscals – 13.85% in FY18 to 9.28% in FY19 and 12.60% in FY20, the margins declined in FY19 on account of closure of Rural Electrification business and certain bad debt write-offs. Despite the decline the EBITDA margins remain healthy at 12.60% which is well above the industrial average. The PAT in absolute terms has been volatile with INR159.81 crore in FY18 to INR81.48 crore in FY19 to INR118.40 crore in FY20; the PAT margin has increased from 4.45% in FY19 to 6.12% in FY20.

Elongated Operating cycle

The operating cycle though improved in FY2020 to 158 days in FY2020 from 211 days in FY2019, still remain at higher levels. The average debtor days are high at 153 days in FY2020 (156 days in FY2019) on account of elongation in payments from government clients.

Impending matter of the Income Tax Search

On November 6, 2019, a Search/ Survey was conducted on the Company by the Income Tax Dept. pursuant to provisions of Sec. 132/133 of the Act. The proceedings covered various office locations & residences of certain Directors & employees of the Company. The Company has not yet received any demand notice with respect to these proceedings. During the proceeding, the Income Tax Dept. had requisitioned books of accounts & other documents for A.Y. 2013-14 to A.Y. 2019-20. The Company is in the process of providing information & explanation sought by the tax authority. In the absence of any appraisal or demand order, management is currently unable to quantify any possible 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 & unorganized players leading to high competition in the industry. Thus, the company faces stiff competition from reputed players in the industry. Also, the nature of business being tender-based, tender-



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based operations involve intense competition and competitive bidding which may affect its profitability.

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Service Sector Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Adequate

The company has had the current ratio above unity which has been improving over the last three fiscals, standing at 1.41x FY20. The company has had short term obligations amounting to INR120.58 crore with gross cash accruals amounting to INR128.30 crore and a healthy cash and bank balance of INR131.03 crore (including margin money of INR49.49 crore); giving the company adequate balances left post payment of short term obligations. Owing to sustained profitability and cash accruals we believe the company will be able to maintain healthy financial flexibility over the medium term.

About the company

Incorporated in 1997 by Mr.Hanmantrao Ramdas Gaikwad & Mr. Umesh Gautam Mane (First Generation Entrepreneurs). BVG stands for 'Bharat Vikas Group', is India's largest Integrated Services Company. BVG is having it's headquarter in Pune (Hinjewadi, Phase-I). BVG provides varied services & solutions like Mechanized Housekeeping, Healthcare, Emergency Services, Landscaping & Gardening, Logistic & Transportation, Civil and Electrical etc. to all its customers in Government sector like Parliament House, Prime Minister House & office and Private sectors like Tata Motors Ltd., Bajaj, Mahindra, Accenture, ITC, and ONGC etc.



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Financials (Standalone)*:

(INR crore)

For the year ended/ As On	31-03-2018	31-03-2019	31-03-20
	(Audited)	(Audited)	(Audited)
Total Income	1746.97	1829.14	1933.53
EBITDA	234.51	168.74	242.38
PAT	159.81	81.48	118.40
Total Debt	539.08	574.46	620.34
Tangible Net-worth	486.69	572.67	660.51
Ratios			
EBITDA Margin (%)	13.85	9.28	12.60
PAT Margin (%)	9.15	4.45	6.12
Overall Gearing Ratio (x)	1.11	1.00	0.94

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (PR dated April 23, 2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Bank Facility – Fund Based – Term Loan	Long Term	4.20	IVR A+/ Stable Outlook	IVR A / Stable Outlook	--	--
2.	Long Term Bank Facility – Fund Based – Cash Credit	Long Term	667.00	IVR A+/ Stable Outlook	IVR A / Stable Outlook	--	--
3.	Short Term – Non Fund Based Limits – Bank Guarantee	Short Term	461.50	IVR A1+	IVR A1	--	--

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.



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Name and Contact Details of the Rating Team:

Name: Rajath Rajpal

Tel: (022) 62396023

Email: rrajpal@infomerics.com

Name: Prakash Kabra

Tel: (022) 62396023

Email: prakash.kabra@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Bank Facility – Fund Based – Term Loan	NA	NA	Up to 2023	4.20	IVR A+ / Stable Outlook
Long Term Bank Facility – Fund Based – Cash Credit	NA	NA	Revolving	667.00	IVR A+ / Stable Outlook
Short Term – Non Fund Based Limits – Bank Guarantee	NA	NA	Up to 1 year	461.50	IVR A1+

Annexure II: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Lender-BVG-India-Limited-10-may-21-.pdf>