



Press Release

Bhimji Velji Sorathia Construction Pvt. Ltd.(BVSCPL)

October 25, 2022

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facilities – Cash Credit / Overdraft	14.00 (Enhanced from Rs.13.00 crore)	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Revised	Simple
Short Term Non-Fund Based Bank Facilities – Bank Guarantee	84.00 (Enhanced from Rs.74.00 crore)	IVR A3 (IVR A Three)	Revised	Simple
Total	98.00	Rupees Ninety Eight Crore only		

Details of facilities are in Annexure 1

Detailed Rationale

The rating revision to the bank facilities of Bhimji Velji Sorathia Construction Private Limited (BVSCPL) factors in overall improvement in the financial risk profile. Further, the rating continues to derive comfort from experience of promoters in civil construction industry, proven project execution capability, reputed clientele albeit customer concentration, healthy order book, . The ratings are, however, constrained by the working capital intensive nature of operations, geographical and sectorial concentration risk and susceptibility of operating margin to volatile input prices

Further, the overall gearing ratio of the company was comfortable at 0.14x as on March 31, 2022 (FY21: 0.24x) and other indicators like long term debt to equity ratio of the company was comfortable at 0.04x as on March 31, 2022 (FY21: 0.07x). Interest coverage ratio is also comfortable at 8.87x as on March 31, 2022 (FY21: 4.16x).

The revenue of the Company has increased ~ 190% in FY22(A) to INR412.13 Crore as against INR142.11 Crore in FY21 and PAT INR9.73 Crore as against INR3.15 Crore during the same period. There is increase in top line Y-o-Y mainly on account of due to increase in flow of work



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orders and timely execution of the same. The PAT margin of the company stood at 2.36% in FY22(A) in comparison to 2.21% in FY21(A).

Key Rating Sensitivities:

Upward Factors

- Significant & sustained increase in scale of operations and debt protection metrics while maintaining the profitability.

Downward Factors

- Substantial decline in the revenue and/or profitability leading to sustained decline in the debt protection metrics and/or liquidity profile.

Detailed Description of Key Rating Drivers

Key Rating Strengths:

Experience of Promoters in civil construction industry

Mr. Bhimji Velji Hadiya (Managing Director), Mr. Jitesh Bhimji Hadiya (Director), Mr. Kunvarji Bhimji Hadiya (Director) and Mr. Ramesh Bhimji Hadiya (Director) have a combined experience of over five decades in the industry. They have also established relationships with customers and suppliers which helps the company to efficiently run the business. Promoters are also supported by a team of experienced and qualified professionals.

Proven project execution capability

The Company has started its operation from 1975 and has successfully completed many projects in and around Arunachal Pradesh, Gujarat, Rajasthan and Madhya Pradesh for various government departments as well as of different private companies. Thus, the Company is enjoying a proven track record. The repeated orders received from the Government Departments validate its construction capabilities.



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Reputed clientele albeit customer concentration

The Company is engaged in the construction of railway bridge, laying of railway tracks and supply of blasts for railway tracks, construction of roads / highways, buildings, canals, dams, factory buildings, other Industrial Civil constructions, Infrastructure support through land filling for construction of Jetty at Kandla Port, mining of black trap, sand, and processing of Iron ore (Crushing at crusher plant) and finally supplying thereof to PSL Limited, Jindal Saw Ltd. etc.

Healthy order book

The company has unexecuted order book of around Rs.631.00 crore, majority of which to be completed by FY25, providing the company with a medium-term revenue visibility.

Key Rating Weaknesses:

Working capital intensive nature of operations

Construction business, by its nature, remains working capital intensive as, a large part of working capital remained blocked in earnest money, retention money or in the form of fixed deposits as margin against required bank guarantees. To support the working capital requirement, the company is mainly relying on bank borrowings, unsecured loan, and high credit period availed from its input suppliers. The operating cycle of the company has decreased to 25 days in FY22 (FY20: 68 days). Collection period stood at 44 days as on 31 March 2022 (FY21: 105 days). Creditors Period stood at 46 days as on 31 March 2022 (FY21: 104 days). Inventory Period stood at 26 days as on 31 March 2022 (FY21: 67 days).

Geographical and sectorial concentration risk

The present order book is majorly skewed towards civil construction in the States of Arunachal Pradesh, Gujarat, Rajasthan and Madhya Pradesh from various government departments indicating a geographical and sectorial concentration risk. However, the company has adequate experience in executing government projects which provides a comfort.



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Susceptibility of operating margin to volatile input prices

Major raw materials used in civil construction activities are steel and cement which are usually sourced from large players/dealers at proximate distances. The raw material & labour cost forms the majority chunk of the total cost of sales in this industry. As the raw material prices & labour cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour cost. However, presences of escalation clause (for raw materials) in most of the contracts protect the margin to an extent.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria of Rating Outlook](#)

Liquidity - Adequate

The liquidity position of the company remained adequate as gross accruals are comfortable to meet the debt obligations. The company maintains unencumbered cash and bank balances of INR18.67 Crore as on March 31, 2022. The current ratio of the Company stood 1.73x as on March 31, 2022. The company working capital utilization also remains moderate at ~43 % for the 12 months ended September 2022. The Non-Fund based utilization of the Company stood at ~ 54%, which is at comfortable levels. A low utilization of Non-Fund based limits will help the Company to bid for more projects without requiring to pay more incremental commissions. Interest coverage ratio is also comfortable at 8.87x as on March 31, 2022 (FY21: 4.16x).

About the Company

M/s Bhimji Velji sorathia was initially a proprietorship firm established in 1975 which got converted into a Partnership firm in 2006. It was converted into private limited company in May 2013 and named as Bhimji Velji Sorathia Construction Private Limited (BVSCPL). BVSCPL is registered as a Class AA+ contractor with the Public Works Department of Gujarat. The Company is engaged in the construction of railway bridge, laying of railway



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tracks and supply of blasts for railway tracks, construction of roads / highways, buildings, canals, dams, factory buildings, other Industrial Civil constructions, etc.

Financials (Standalone)

(INR Crore)

For the year ended* As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	142.11	412.13
EBITDA	11.70	20.10
PAT	3.15	9.73
Total Debt	23.50	17.12
Tangible Net Worth	70.63	79.80
Ratios		
EBITDA Margin (%)	8.23	4.88
PAT Margin (%)	2.21	2.36
Overall Gearing Ratio (x)	0.24	0.14

* Classification as per Infomerics' standards

Status of Non-cooperation with previous CRA: CRISIL continues to classify the long term rating as CRISIL C (ISSUER NOT COOPERATING) and short term rating as CRISIL A4 (ISSUER NOT COOPERATING) vide its Rating Rationale dated June 9, 2022.

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument/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 (December 27, 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Fund Based Bank Facilities – Cash Credit / Overdraft	Long Term	14.00	IVR BBB- / Stable	IVR BB+ / Stable	-	-
2.	Non-Fund Based Bank Facilities – Bank Guarantee	Short Term	84.00	IVR A3	IVR A4+	-	-



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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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Annexure 1: Details of Facilities

(INR Crore)

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit / Overdraft	-	-	Revolving	14.00	IVR BBB- / Stable
Bank Guarantee	-	-	-	84.00	IVR A3

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-BVSCPL-oct22.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 <https://www.infomerics.com/>.