



## Press Release

### **Bhimji Velji Sorathia Construction Pvt. Ltd.(BVSCPL)**

**January 11, 2024**

#### **Ratings**

<b>Facilities</b>	<b>Amount (Rs. crore)</b>	<b>Ratings</b>	<b>Rating Action</b>	<b><u>Complexity Indicator</u></b>
Long Term Fund Based Bank Facilities – Cash Credit / Overdraft	29.00 (Enhanced from Rs.14.00 crore)	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Short Term Non-Fund Based Bank Facilities – Bank Guarantee	119.00 (Enhanced from Rs.84.00 crore)	IVR A3 (IVR A Three)	Reaffirmed	Simple
<b>Total</b>	<b>148.00</b>	<b>Rupees One Hundred Forty- Eight Crore only</b>		

**Details of facilities are in Annexure 1**

#### **Detailed Rationale**

The rating reaffirmation to the bank facilities of Bhimji Velji Sorathia Construction Private Limited (BVSCPL) continues to derive strength from the experienced promoters in civil construction industry, proven project execution capability, reputed clientele albeit customer concentration, healthy order book. The ratings are, however, constrained by the subdued revenue in FY23 and decline in net profit margin.

#### **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.



## Press Release

### Detailed Description of Key Rating Drivers

#### **Key Rating Strengths:**

##### **Experience of Promoters in civil construction industry**

Mr. Bhimji bhai Velji bhai Hadia (Managing Director), Mr. Jitesh bhai Bhimji Bhai Hadia (Director), Mr. Kunvarji bhai Bhimji bhai Hadia (Director), Mr. Ramesh bhai Bhimji bhai Hadia (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. Due to this track record the company has received a sizeable order from Himachal Pradesh Horticulture Department in H1FY24. The repeated and new orders received from the Government Departments validate company's work quality and execution capabilities.

##### **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 Jindal Saw Ltd. etc. Recently Himachal Pradesh Horticulture Department has provided a good number of projects to the company which adds to its diversified geography also.



## Press Release

### **Healthy order book**

The company has unexecuted order book of around Rs.657.25 crore which corresponds to 2.25 times of revenue of FY23. Majority of unexecuted works 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 remains 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 loans, and high credit period availed from its input suppliers. The operating cycle of the company has increased to 36 days in FY23 from 25 days in FY22. The collection period stood at 76 days as on 31 March 2023, as against 44 days as on 31 March 2022. The Creditors Period stood at 88 days as on 31 March 2023, as against 46 days as on 31 March 2022. Inventory Period stood at 49 days as on 31 March 2023 as against 26 days as on 31 March 2022.

#### **Geographical and sectorial concentration risk**

The present order book is majorly skewed towards civil construction in the State of Bihar 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. After getting the projects from Himachal Pradesh government the company is on the way of diversifying its portfolio.

#### **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



## Press Release

material prices & labour cost. However, presence 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 current ratio and quick ratio of the Company stood at 1.70x and 1.17x respectively, as on March 31, 2023. The company's working capital utilization of fund-based facilities remains moderate at ~84 % for the 12 months ended October 2023. Reduction of gross working capital cycle will be a key monitorable for improvement in liquidity.

#### **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 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	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	412.13	292.52



## Press Release

EBITDA	19.94	16.83
PAT	9.72	6.05
Total Debt	17.12	24.25
Tangible Net Worth	79.80	85.91
<b>Ratios</b>		
EBITDA Margin (%)	4.84	5.75
PAT Margin (%)	2.36	2.06
Overall Gearing Ratio (x)	0.14	0.21

\* Classification as per Infomerics' standards

**Status of Non-cooperation with previous CRA:** NIL

**Any other information:** None

**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (October 25, 2022)	Date(s) & Rating(s) assigned in 2021-22 (December 27, 2021)	Date(s) & Rating(s) assigned in 2019-20
1.	Fund Based Bank Facilities – Cash Credit / Overdraft	Long Term	29.00	IVR BBB- / Stable	IVR BBB- / Stable	IVR BB+ / Stable	-
2.	Non-Fund Based Bank Facilities – Bank Guarantee	Short Term	119.00	IVR A3	IVR A3	IVR A4+	-

**Name and Contact Details of the Rating Analysts:**

Name: Jalaj Srivastava
Tel: (079) 40393043
Email: <a href="mailto:jalaj.srivastava@infomerics.com">jalaj.srivastava@infomerics.com</a>



## Press Release

### 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](http://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, suspend 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

					(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	29.00	IVR BBB- / Stable
Bank Guarantee	-	-	Revolving	119.00	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-Jan24.pdf>





## Press Release

**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/>.