



Press Release

Bhimji Velji Sorathia Construction Private Limited (BVSCPL)

December 27, 2021

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Fund Based Bank Facilities – Overdraft/Cash Credit	13.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	Assigned
Short Term Non-Fund Based Bank Facilities – Bank Guarantee	74.00	IVR A4+ (IVR A Four Plus)	Assigned
Total	87.00 (Eighty-Seven Crores Only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The assignment of ratings to the bank facilities of Bhimji Velji Sorathia Construction Private Limited (BVSCPL) takes into account extensive experience of promoters in civil construction industry, healthy order book showing medium term revenue visibility and healthy debt protection and coverage parameters. The rating is however constrained by continuous decline in scale of operations, working capital intensive nature of operations, risks related to the project execution; tender-driven nature of business; highly fragmented & competitive construction sector and susceptibility of operating margins to volatility in input prices.

Key Rating Sensitivities:

Upward Factors

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

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

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of Promoters in civil construction industry:

BVSCPL was established as proprietorship concern in 1992. They are in civil construction business since past three decades. The Company is Class AA Contractor with Public Works Department – Government of Gujarat. Mr. Bhimjibhai Veljibhai Sorathia (Managing Director), Mr. Jiteshbhai Bhimji Bhai Sorathia (Director), Mr. Kunvarjibhai Bhimjibhai Sorathia (Director), Mr. Rameshbhai Bhimjibhai Sorathia (Director) have a combined experience of over five decades in the industry. Established experience of the promoters in the civil construction industry helps the Company in bidding stages of the project. Also, established relations with suppliers helps the Company to timely procure materials and at competitive rates. Promoters are also supported by a team of experienced and qualified professionals.

Healthy order book showing medium term revenue visibility

The company has unexecuted order book of around INR 588.03 crore as on October 2021 beginning which is approximately 4.62 times of FY21 revenues giving medium term revenue visibility for the Company. Also, the entire order book is composed of contracts from State/Central Government or Government Departments, thus reducing credit risk to an extent. Constantly replenishing order book and executing the existing orders on time is a key monitorable for the Companies in civil construction.

Healthy Debt protection and coverage parameters

The Company has comfortable capital structure as envisaged by overall gearing ratio of the company at 0.36x as on March 31, 2021 (FY20:0.38x). Lower reliance on outside debt helps companies survive downturns. The Company also has comfortable debt coverage ratios as indicated by interest coverage ratio of at 4.13x as on March 31, 2021 (FY20:3.65x). FY21 are provisional financials.



Press Release

Key Rating Weaknesses

Continuous decline in scale of operations:

The Company had faced topline pressure since past few years due to various reasons such as Assembly elections in the targeted states followed by disruptions caused by ongoing COVID-19 global pandemic. Total operating income fell to INR127.28 crores in FY21 from INR278.33 crores in FY18. Although there was continuous fall in the previous years,. declining revenue trend is expected to reverse in FY22 & beyond on account planned scheduled execution of unexecuted order book. In first half of FY22 revenue increased by ~ 290% to INR132.86 Crore as against INR 34.07 Crore in H1FY21.

Working capital intensive nature of operations

EPC or civil 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 increased to 98 days in FY21 (FY20: 36 days). Collection period stood high at 117 days as on 31 March 2021 (FY20: 110 days). Creditors Period stood at 93 days as on 31 March 2021 (FY20: 96 days). Inventory Period stood at 73 days as on 31 March 2021 (FY20: 22 days).

Risks related to the project execution; tender-driven nature of business; highly fragmented & competitive construction sector

Execution risks for the unexecuted projects in a timely manner will be key to achieving growth in revenues and profits. Further, the company is exposed to project execution risk of the pending order book, owing to the uncertainties in the business on account of the ongoing COVID19 Pandemic. The ability of the company to execute the projects without delay would be a key rating monitorable. The Company gets new orders via tenders floated by State/Central Governments. Continuous and repetitive winning of orders is imperative for steady growth of the top line in civil construction business.



Press Release

Susceptibility of operating margins to volatility in input prices

Major raw materials used in civil construction activities are steel & cement and in road construction activities are stone, asphalt/bitumen and sand which are usually sourced from large players/dealers at proximate distances. The raw material & labour (including subcontracting) costs forms the majority chunk of the total cost of sales for the last three years. As the raw material prices & labour (including sub-contracting) costs are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour (including sub-contracting) costs. However, presence of escalation clause 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

Liquidity – Adequate

The liquidity position of the company remained adequate as gross cash accruals are comfortable to meet the debt obligations. The company working capital utilization also remains moderate at ~70 % for the 12 months ended November 2021. The Non-Fund based utilization of the Company stood at ~ 55%, which is at comfortable levels. A low utilization of non-fund-based limits will help the Company to bid for more projects. The Company maintains unencumbered cash and bank balances of INR5.13 Crore as on March 31st, 2021. The current ratio of the Company stood 1.94x as on March 31st, 2021. Further elongation of gross working capital cycle can put pressure on the liquidity.

About the Company

Bhimji Velji Sorathia was established as a proprietorship concern in 1982. Later on, it was converted as a partnership firm in 2007. Furthermore, it was converted into private limited company in June 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. It is engaged in construction of roads, bridges, dams, canals, and factory buildings. It is primarily engaged in civil works. The Company has expertise in works contracts related



Press Release

to Roads, Canals & Railways. The Company primarily deals in contracts from the various Governments or State Government Departments.

Financials: Standalone

For the year ended / As On	31-03-2020	31-03-2021
	Audited	Provisional
Total Operating Income	166.93	127.28
EBITDA	12.99	13.77
PAT	3.72	4.61
Total Debt	22.90	23.40
Tangible Network	61.05	65.66
Ratios		
EBITDA Margin (%)	7.78	10.82
PAT Margin (%)	2.22	3.60
Overall Gearing Ratio (x)	0.38	0.36

Status of non-cooperation with previous CRA: Crisil has migrated ratings of Bhimji Velji Sorathia Construction Private Limited to Issuer Not Cooperating Category on April 22, 2021.

Any other information:

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Fund Based Bank Facilities – Overdraft/Cash Credit	Long Term	13.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	--	--	--
2.	Short Term Non-Fund Based Bank Facilities – Bank Guarantee	Short Term	74.00	IVR A4+ (IVR A Four Plus)	--	--	--



Press Release

Name and Contact Details of the Rating Analyst:

Name: Shashank Joshi	Name: Amit Bhuwania
Tel: (022) 6239 6023	Tel: (022) 6239 6023
Email: shashank.joshi@infomerics.com	Email: abhuwania@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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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.



Press Release

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities – Overdraft/Cash Credit	--	--	--	13.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)
Short Term Non-Fund Based Bank Facilities – Bank Guarantee	--	--	--	74.00	IVR A4+ (IVR A Four Plus)

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Bhimji-Velji-lenders-dec21.pdf>

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

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Overdraft/Cash Credit	Simple
2.	Bank Guarantee	Simple

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.