



## Press Release

### **Bvishal Oil and Energy Limited [BVOEL]**

**November 24, 2021**

#### **Rating**

<b>Sr. No.</b>	<b>Instrument/ Facility</b>	<b>Amount (INR Crore)</b>	<b>Rating Assigned</b>	<b>Rating Action</b>
1	<u>Long Term Fund based facilities</u> Cash Credit	15.00	IVR BB+/ Stable; (IVR Double B Plus with Stable Outlook)	Assigned
2	<u>Long Term Fund based facilities</u> Term Loan	18.65	IVR BB+/ Stable; (IVR Double B Plus with Stable Outlook)	Assigned
3	<u>Long Term Fund based facilities</u> <u>Covid Loan</u>	0.33	IVR BB+/ Stable; (IVR Double B Plus with Stable Outlook)	Assigned
4	<u>Long Term Fund based facilities</u> Covid Loan	5.93	IVR BB+/ Stable; (IVR Double B Plus with Stable Outlook)	Assigned
6	<u>Short Term Non-Fund based facilities</u> <u>Bank Guarantee</u>	23.00	IVR A4+ (IVR A Four Plus)	Assigned
	<b>Total</b>	<b>62.91</b>		

**Details of facilities are in Annexure 1**

#### **Detailed Rationale**

The rating assigned to the bank facilities of Bvishal Oil and Energy Limited derives strength from experienced promoters & qualified management team, healthy order book position indicating satisfactory near to medium term revenue visibility, established relationship with reputed clientele and y-o-y improvement in revenue & EBITDA. The rating is however constrained by working capital intensive nature of operations and exposure of the intense competition and tender based job works.

#### **Key Rating Sensitivities:**



## Press Release

### **Upward Factors:**

- Improvement in revenue with improvement in profitability on a sustained basis
- Improvement in working capital management with improvement in operating cycle and liquidity

### **Downward Factors:**

- Any decline in the scale of operation and profitability leading to deterioration of debt protection metrics.
- Deterioration in the working capital cycle leading to stress in the debt protection metrics or the liquidity position of the firm.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Experienced promoters & Qualified management team**

The promoter, Mr. Bharat Bhai Chaudhary having more than two-decade experience in the oil exploration industry. He is supported by, Mr. Vishal Chaudhary, and Ms. Raiben Chaudhary and an experienced management, BVOEL has been able to generate healthy relations with its reputed clientele.

##### **Healthy order book position indicating satisfactory near to medium term revenue visibility**

Over the past years, the entity has successfully completed many projects in Gujarat and Assam ensured timely completion of its projects. BVOEL has a healthy order book of Rs.343.11 crores and the unexecuted order book is around Rs.277.29 crores which is to be executed within next 2-3 years indicating comfortable revenue visibility in the near term.

##### **Established relationship with reputed clientele**

BVOEL clientele includes major Oil and gas players such as ONGC, Oil India Ltd, Cairn India, Schlumberger Limited, Joshi Technologies International Inc and foreign alliances -



## Press Release

3&1 enterprises T&R INC (LA) and SNKOIL LLC which mitigates the counterparty credit risk to some extent.

### **Y-o-Y improvement in revenue & EBITDA**

There has been a constant improvement in the performance of the company in terms of growth in revenue and EBITDA since last 3 years. The revenue had increased to Rs.70.91 crores in FY21 in comparison with Rs.64.60 crore in FY20. The significant improvement in revenue is on account of steady inflow of orders and satisfactory execution of the same while maintaining a comfortable order book position. Moreover, with improvement in sale of operation EBITDA is improving continuously in the last three years and improved from Rs.17.70 crores in FY19 to Rs.26.70 crores in FY21 and EBITDA margin also improved from 32.82% in FY20 to 37.66% in FY21.

### **Key Rating Weaknesses**

#### **Working capital intensive nature of operations**

The operations of the company remained working capital intensive as the average collection period and Average Inventory Period deteriorated and stood at 93 days and 32 days respectively while creditors' payment period have reduced to 41 days in FY2021 as against 32 days in FY2020. Further, Operating cycle of the Company also declined to 84 days in FY21 from 57 days in FY20

#### **Exposure of the intense competition and tender based job works**

The Company faces intense competition on account of customers being the same for all the players in the sector (i.e) the oil and gas companies, where the business depends on the ability to bid for contracts successfully. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts. However, this risk is mitigated to an extent on account of extensive experience of the management.



## Press Release

**Analytical Approach:** Standalone

**Applicable Criteria:**

- Rating methodology for Service Companies
- Financial ratios and Interpretation (Non-Financial Sector)

**Liquidity: Adequate**

The Cash and Bank balance stood at Rs.7.24 crore as on March 31, 2021, and the current ratio stood at 1.08 times as on March 31, 2021, as against 0.93 times as on March 31, 2020. The improvement in profitability has seen the GCA of the company increase from INR14.02crore in FY20 to INR 17.04 crore in FY21. The average cash credit utilisation was around 87.41% during the last twelve months ended February 2021.

**About the company**

Bvishal Oil and Energy Limited was incorporated on November 17, 2017, to take over the existing operations of Vishal enterprises. The Gujarat – based Vishal enterprises was established in 1999 as a partnership firm by Mr. Bharat bhai Chaudhary.

The company provides operations & Maintenance (O&M) services, charter hire service, well intervention services for oil exploration and production activities. The company is also engaged in the business of labour contracts and arranges trucks and tankers on commission basis.

**Financials [Standalone]**

For the year ended/ As on*	INR in Crore	
	31-03-2020 (Audited)	31-03-2021 (Audited)
Total Operating Income	64.60	70.91
EBITDA	21.20	26.70
PAT	10.28	12.39
Total Debt	40.20	71.54
Tangible Net Worth	54.00	66.39



## Press Release

EBITDA margin (%)	32.82	37.66
PAT margin (%)	15.92	17.47
Overall Gearing Ratio (x)	0.69	1.00

\* Classification as per Infomerics' standards

**Details of Non Co-operation with any other CRA: Nil**

**Any other information: N.A.**

**Rating History for last three years:**

Name of Instrument/ Facility	Current Rating (Year: 2021-22)			Rating History for the past 3 years		
	Type	Amount (INR Crore)	Rating	Rating assigned in 2020-21	Rating assigned in 2019-20	Rating assigned in 2018-19
Long Term Fund based facilities	Cash Credit	15.00	IVR BB+/ Stable outlook	--	--	--
Long Term Fund based facilities	Term Loan	18.65	IVR BB+/ Stable outlook	--	--	--
Long Term Fund based facilities	Covid Loan	0.33	IVR BB+/ Stable outlook	--	--	--
Long Term Non-Fund based facilities	Covid Loan	5.93	IVR BB+/ Stable outlook	--	--	--
Short Term Non-Fund based facilities	Bank Guarantee	23.00	IVR A4+	--	--	--

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**About Infomerics:**



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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

Sr. No.	Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
1	<u>Long Term Fund based facilities</u> Cash Credit	--	--	--	15.00	IVR BB+/ Stable outlook
2	<u>Long Term Fund based facilities</u> Term Loan	--	--	--	18.65	IVR BB+/ Stable outlook
3	<u>Long Term Fund based facilities</u> Covid Loan	--	--	--	0.33	IVR BB+/ Stable outlook
4	<u>Long Term Fund based facilities</u> Covid Loan	--	--	--	5.93	IVR BB+/ Stable outlook
5	<u>Short Term Non-Fund based facilities</u> Bank Guarantee	--	--	--	23.00	IVR A4+

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



## Press Release

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Bvishal-Oil-lenders-nov21.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	Cash Credit	Simple
2	Term Loan	Simple
3	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](http://www.infomerics.com).