Vibhor Vaibhav Infra Private Limited

March 26, 2018

Ratings

Facility	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	11.50	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Assigned
Short-term Bank Facilities	32.50	CARE A4 (A Four)	Assigned
Total facilities	44.00 (Rs. Forty Four Crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Vibhor Vaibhav Infra Private Limited (VVIP) are primarily constrained by modest and fluctuating scale of operations, client concentration risk, significant exposure to group associates, competitive nature of industry and business risk associated with tender based orders. The ratings, however, draw comfort from experienced directors, comfortable order book position, moderate profitability margins, comfortable capital structure and moderate operating cycle.

Going forward; ability of the company to profitably scale up its operations while diversifying its client base simultaneously maintaining its capital structure along with successful execution of project with in envisaged timelines and realization of receivables in timely manner, will be the key rating sensitivities.

Detailed description of the key rating drivers

Key rating weakness

Modest and fluctuating scale of operations: VVIP is a regional player involved in executing civil construction and electrical contracts. The ability of the company to scale up to larger-sized contracts having better operating margins is constrained by its modest total operating income of Rs.61.20 crore in FY17 (refers to the period April 1 to March 31). Furthermore, the firm's total operating income has been fluctuating over the past three years (FY15-FY17) owing to tender driven nature of business. The total operating income increased significantly from Rs.24.47 crore in FY15 to Rs.65.50 crore in FY16; thereafter registered decline to Rs.61.20 on account of lower orders executed. The modest scale of operations in a competitive industry limits the bidding capability, pricing power and benefits of economies of scale. The company has achieved total operating income of Rs.53.66 crore for 9MFY18 (refers to period April 1 to December 31; based on provisional results).

Significant exposure in form of investments and to group companies: VVIP's total exposure in form of investments and advances to group companies stood at Rs.21.83 crore as on March 31, 2017 which is equivalent to 75% of its net worth. Therefore, any adverse impact on the financial risk profile of VVIP on account of exposure to the group companies would continue to be crucial from credit perspective. Furthermore, any additional investment to the group or associates would also be key monitorable. The adjusted overall gearing adjusted against investment to group company stood at 4.84x as on March 31, 2017.

Client concentration risk though moderate order book position: The unexecuted order book of the company as on December 31, 2017 stood at Rs.289.73 crore which is equivalent to ~4.73x the total operating income achieved in FY17. The moderate order book provides revenue visibility in the short to medium term for the company. However, the order book at present is concentrated towards contracts from Paschimanchal Vidyut Vitran Nigam Limited, Uttar Pradesh Power Corporation Limited and Ghaziabad Development Authority forming around 83% of the unexecuted order book. Hence, effective and timely execution of the orders has a direct bearing on the margins. Furthermore, the company ability to execute a project in timely manner led by its own operational efficiency and timely stage payments received from clients.

Highly competitive industry: VVIP faces direct competition from various unorganized players in the market. There are number of small and regional players and catering to the same market which has limited the bargaining power of the firm and has exerted pressure on its margins. Hence, going forward, due to increasing level of competition and aggressive bidding, the profits margins are likely to be under pressure in the medium term.

Business risk associated with tender-based orders: The company majorly undertakes government projects, which are awarded through the tender-based system. The company is exposed to the risk associated with the tender-based business, which is characterized by intense competition. The growth of the business depends on its ability to successfully

[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

bid for the tenders and emerge as the lowest bidder. Further, any changes in the government policy or government spending on projects are likely to affect the revenues of the company.

Key rating strengths

Experienced directors: The company is managed by Mr Praveen Tyagi, Mr Vibhor Tyagi and Mr Vaibhav Tyagi. Mr Praveen Tyagi is a graduate by qualification and has around three decades of experience in the electrical and civil construction industry. Prior to VVIP, he was working in his individual capacity as civil contractor. He looks at the overall working of the company. Mr Vibhor Tyagi and Mr Vaibhav Tyagi has around half decade of experience in the industry through his association with VVIP.

Moderate profitability margins and capital structure: The company majorly undertakes government projects which are awarded through the tender-based system. Therefore, the margins largely depend on nature of contract executed. The profitability margins as marked by PBILDT and PAT margin of the company stood moderate for the past three financial years i.e. FY15-FY17. PBILDT and PAT margins stood at above 9.25% and 1.70% respectively in last two financials years (FY16 & FY17)

As on March 31, 2017, the capital structure of the company stood moderate marked by debt equity and overall gearing at 0.91x and 1.20x respectively. The same improved from 1.35x and 1.62x respectively as on March 31, 2016 owing to accretion of profits to reserves coupled with repayment of term loan.

Moderate operating cycle: VVIP's operating cycle stood negative at 25 days in FY17. The company maintains inventory in the form of raw materials at different sites for smooth execution of contracts. Also, the company accounts for work in progress inventory in the books of accounts for under progress work. The company raises bills on monthly basis on the completion of certain percentage of work and which gets acknowledge by customer after necessary inspections. Post the inspection, department clears the payment within a month (maximum) by deducting certain percentage of bill raised (i.e. 10% of bill amount) in the form of retention money, which they refund after completion of order/contract. The average collection period stood at 48 days for FY17. The company procures electric products and construction material on an average credit period of around three months from its suppliers. The average working capital utilization remained 85% utilised for the past 12 months ended February 2018.

Analytical approach: Standalone

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology – Education Sector
Financial ratios – Non-Financial Sector

About the Company

New Delhi based Vibhor Vaibhav Infra Private Limited (VVIP) was incorporated in August, 2001. The company is managed by Mr Praveen Tyagi, Mr Vibhor Tyagi and Mr Vaibhav Tyagi. The company undertakes electrical and civil construction work primarily for government/ public sector undertakings. Vibhor Vaibhav Infrahome Private Limited and Solitaire Infrahome Private Limited are group associates and are engaged in real estate business.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	65.50	61.20
PBILDT	6.44	5.77
PAT	1.31	1.09
Overall gearing (times)	1.62	1.20
Interest coverage (times)	1.81	1.74

A: Audited

Status of non-cooperation with previous CRA:
Not Applicable

Any other information:
Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	7.00	CARE BB-; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	21.50	CARE A4
Fund-based - LT-Proposed fund based limits	-	-	-	4.50	CARE BB-; Stable
Non-fund-based - ST-Proposed non fund based limits	-	-	-	11.00	CARE A4

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	7.00	CARE BB-; Stable	-	-	-	-
2.	Non-fund-based - ST-Bank Guarantees	ST	21.50	CARE A4	-	-	-	-
3.	Fund-based - LT-Proposed fund based limits	LT	4.50	CARE BB-; Stable	-	-	-	-
4.	Non-fund-based - ST-Proposed non fund based limits	ST	11.00	CARE A4	-	-	-	-

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