

Vibhor Vaibhav Infra Private Limited

March 29, 2019

Ratings

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

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the long term rating assigned to the bank facilities of Vibhor Vaibhav Infra Private Limited (VVIP) mainly take into account of significant growth in scale of operations in FY18 (FY refers to the period April 1 to March 31), improvement in financial risk profile and operating cycle.

The ratings, however, continue to remain constrained by modest scale of operations, working capital intensive nature of operations, significant exposure in form of investments to group companies, volatility in input prices with intense competition in the sector and tender driven nature of operations.

The rating, further, continues to derive strength from experienced promoters and moderate financial risk profile and healthy though concentrated order book position.

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 weaknesses

Modest scale of operations: VVIP is a small 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 comparatively modest capital base of Rs.30.99 crore as on March 31, 2018 and total operating income of Rs.70.29 crore in FY18 (refers to the period April 1 to March 31). The small scale of operations in a competitive industry limits the bidding capability, pricing power and benefits of economies of scale. The company's total operating income has been fluctuating in the range of Rs. 61.20 crore to Rs.70.29 crore over the past three years (FY16-FY18) owing to tender driven nature of business.

Working capital intensive nature of operations: VVIP's operations remained working capital intensive as marked by operating cycle of 111 days (including retention money) in FY18. The company maintains minimum inventory in the form of raw materials at different sites for smooth execution of contracts. Also, under progress inventory accounted has work in progress inventory in the books of accounts. The company raises bills on monthly basis on the completion of certain percentage of work and thereon which gets acknowledge by customer after necessary inspection of work done. Post the inspection, department clears the payment within a month (maximum) by deducting certain percentage of bill raised (10% of bill amount) in the form of retention money, which they refund after completion of order/contract entailing these results into average collection period of 160 days for FY18. 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, 2019.

Significant exposure to associate concerns: VVIP's total exposure to its group companies by way of investments through equity was Rs.21.83 crore as on March 31, 2018, equivalent to 70% 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 to advances stood at 3.25x as on March 31, 2018.

Volatility in input prices with intense competition in the sector and tender driven nature of operations: Steel and cement are the major inputs for the construction activity. Prices of these materials are volatile in nature, and the company remains exposed to the volatilities associated with these. The company does not have a price escalation clause in its contracts, which exposes the company to volatility in raw material prices.

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

Indian electrical and construction industry is characterized as fragmented and competitive nature as there are a large number of players at the regional level. Hence, going forward, due to increasing level of competition, the profits margins are likely to be range bound. The company is a small sized player involved in executing civil construction contracts for private sector. The construction sector is plagued by numerous unorganized and organized players making it highly competitive. The company majorly undertakes Ghaziabad Development Authority projects along with Uttarakhand Power Corporation Limited and New Okhla Industrial Development Authority Projects, which are awarded through the tender-based system. The firm continues to be 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 bid for the tenders and emerge as the lowest bidder. Further, any change in the GDA policy or spending on projects is 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 is a graduate by qualification and has around half decade of experience in the industry through his association with VVIP. He looks after the operations and procurement function of the company. Mr Vaibhav Tyagi is a post graduate by qualification and has around half decade of experience in the industry through his association with VVIP. He looks after the accounts, finance & HR function of the company.

Moderate albeit improved financial risk profile: The profitability margins of the company largely depend upon nature of contract executed during the year and the same also varies according to the composition of revenues received from electrical and civil construction contracts. The profitability margins remained moderate for the past three financial years i.e. FY16-FY18. The PBILD and PAT margin stood at 9.52% and 2.81% respectively for FY18 as against 9.43% and 1.78% respectively for FY17.

The capital structure of the company improved and stood moderate as marked by debt equity and overall gearing of 0.74x and 0.96x respectively as on March 31, 2018 as against 0.91x and 1.20x respectively as on March 31, 2017 owing to accretion of profits to reserves coupled with repayment of term loan and lower mobilization advances as on balance sheet date.

Furthermore, the coverage indicators of VVIP as marked by interest coverage ratio and total debt to gross cash accruals though remained moderate, however, improved and stood at 2.07x and 12.80x respectively for FY18 as against 1.74x and 23.35x respectively for FY17 owing to improvement in profitability.

Healthy though concentrated order book position: The unexecuted order book of the company as on February 28, 2019 stood at Rs.296.59 crore which is equivalent to ~4.22x the total operating income achieved in FY18, thereby giving medium term revenue visibility. However, the present unexecuted order book is concentrated towards contracts from Paschimanchal Vidyut Vitran Nigam Limited and Ghaziabad Development Authority. Hence, effective and timely execution of the orders has a direct bearing on the margins. The said orders are executable over the period of next two years.

Analytical Approach:

Standalone

Applicable Criteria:

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology – Infrastructure Sector Ratings](#)

[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)	FY17 (A)	FY18 (A)
Total operating income	61.20	70.29
PBILDT	5.77	6.69
PAT	1.09	1.97
Overall gearing (times)	1.20	0.96
Interest coverage (times)	1.74	2.07

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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About CARE Ratings:

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	7.00	CARE BB; Stable	-	1)CARE BB-; Stable (26-Mar-18)	-	-
2.	Non-fund-based - ST-Bank Guarantees	ST	21.50	CARE A4	-	1)CARE A4 (26-Mar-18)	-	-
3.	Fund-based - LT-Proposed fund based limits	LT	4.50	CARE BB; Stable	-	1)CARE BB-; Stable (26-Mar-18)	-	-
4.	Non-fund-based - ST-Proposed non fund based limits	ST	11.00	CARE A4	-	1)CARE A4 (26-Mar-18)	-	-

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