

Vijay Builders & Constructions Private Limited

Instrument	Amount	Rating Action
Fund Based Limits – Cash Credit	Rs. 2.00 crore	[ICRA]BB (Stable);re-affirmed
Non-Fund Based Limits – Bank Guarantee	Rs. 5.50 crore	[ICRA]BB (Stable);re-affirmed

ICRA has re-affirmed the long-term rating of [ICRA]BB (pronounced ICRA double B) assigned to the Rs.7.50¹ crore fund based and non-fund based facilities of Vijay Builders & Constructions Private Limited ('VBCPL' or 'the company')². The outlook on the long-term rating is 'Stable'.

The rating re-affirmation continues to factor in the high competitive intensity faced by VBCPL due to the presence of a large number of qualified contractors at the bidding stage, coupled with the tender-based (L1)³ contract awarding system for the Government/public sector undertaking (PSU) clients, which restrains the company's profitability. The company also remains exposed to sectoral and customer concentration risks with the majority of its revenues derived from two oil and gas sector PSUs. While VBCPL's scale of operations continued to remain small, it also faced delays in the execution of several of its projects in FY2016 due to various reasons such as non-availability of work fronts, local issues, and increase in the scope of work, which led to a decline in its operating income by ~35%. Furthermore, the rating also takes into account the high working capital intensity of the company's operations, emanating from an elongated project duration due to procedural delays. This causes delays in billings and blocking of funds leading to an increased reliance on working capital borrowings. Moreover, the absence of a price escalation clause in fixed price contracts exposes VBCPL's margins to fluctuations in raw materials prices to an extent.

The ratings, however, continue to derive comfort from the promoters' experience in the civil construction business and the established and repetitive customer base of the company. The rating also favourably factors in VBCPL's comfortable capital structure.

ICRA expects VBCPL's revenues to increase by 30% in FY2017 over that of FY2016 on the back of faster execution of projects following the resolution of delays. The growth in revenues will be supported by the strong closing order book position of the company. Its capital structure is expected to continue to remain comfortable in FY2017. VBCPL's ability to timely execute projects and increase its scale of its operations, while effectively managing its working capital requirements, will remain a key rating sensitivity.

Company profile

Vijay Builders & Constructions Pvt. Ltd. (VBCPL) was originally established as a proprietorship concern, "Vijay Builders" by Mr. Vashdev Alreja in 1978. It was converted into a Private Limited Company in March 2006 and renamed as Vijay Builders & Constructions Pvt. Ltd. The operations of the company are managed by Mr. Suneel Alreja (son of Mr. Vashdev Alreja) who has been associated with the company since 1980 and has an experience of over two decades in civil construction. Vijay Builders & Constructions Pvt. Ltd. is engaged in civil construction and primarily undertakes works for oil Public Sector Undertakings (PSUs) like Hindustan Petroleum Corp. Ltd. (HPCL) and Bharat Petroleum Corp. Ltd. (BPCL), among others, on a pan India basis. The scope of work undertaken includes the construction of retail outlets, roads, structurals and other allied works at retail outlets, along with depots and refineries of these PSUs. The head office of VBCPL is located at

CST, Mumbai; while its two fabrication facilities are at Mira Road and Wada, with a collective capacity of 1,200 MTPA.

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's Website, www.icra.in, or any of the ICRA Rating Publications.

³ As per the L1 tender awarding system, the contracts are awarded to the lowest price bidder.



Recent Results

VBCPL has reported a net profit after tax and depreciation of Rs. 0.67 crore on an operating income of Rs. 17.93 crore for the year-ending March 31, 2016 (provisional).

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