



SMERA RATINGS LIMITED

Vashisth Estates Limited (VEL)

*Rating
Rationale*

March 03, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	4.50	SMERA BB-/Stable (Assigned)
Cash Credit (proposed)	1.50	SMERA BB-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BB-**' (read as **SMERA double B minus**) to the Rs.6.00 crore long-term (fund based) bank facilities of Vashisth Estates Limited (VEL). The outlook is '**Stable**'. The rating is supported by the company's experienced management, healthy net profit margin and strong debt protection metrics. The rating is also supported by the company's healthy order book position. However, the rating is constrained by the company's short track record of operations. The rating is also constrained by the company's exposure to intense competition in the civil construction industry.

VEL, established in 2011, is a New Delhi-based company engaged in providing civil construction services. VEL also undertakes engineering, procurement and construction (EPC) contracts. The company benefits from its experienced management. Mr. S. K. Vashisth, director of VEL, has around two decades of experience in the civil construction industry. VEL reported healthy net profit margin of 4.01 per cent in FY2013-14 (refers to financial year, April 01 to March 31). The company has strong debt protection metrics marked by leverage of 0.87 times as on March 31, 2014 and interest coverage ratio of 12.30 times in FY2012-13. VEL has healthy order book position with pending orders of Rs.270.00 crore as on February 13, 2015.

VEL faces intense competition from several players in the civil construction industry.

Outlook: Stable

SMERA believes VEL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers substantial growth in revenues and profitability while maintaining strong debt protection metrics. The outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile or working capital management.

About the company

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For FY2013-14, VEL reported profit after tax (PAT) of Rs.0.46 crore on operating income of Rs.11.56 crore. The company reported revenue of Rs.28.60 crore (provisional) during April 2014 to December 2014. VEL's net worth stood at Rs.3.81 crore (provisional) as on December 31, 2014.

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