

Press Release

Kavcon Engineers Private Limited

18 October, 2017

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.35.56 Cr
Long Term Rating	SMERA D (Reaffirmed)
Short Term Rating	SMERA D (Reaffirmed)

**Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed the rating of '**SMERA D**' (read as **SMERA D**) to the above mentioned bank facilities of Kavcon Engineers Private Limited (KEPL). The outlook is '**Stable**'.

KEPL is a Bangalore-based company incorporated in 2002. The company is engaged in fabrication and galvanisation of power transmission and telecommunication towers used by the Indian Railways, state electricity boards and telecommunication companies.

List of key rating drivers and their detailed description

Strengths:

Long track record of operations: Established operational track record of more than three decades.

Weaknesses:

Delay in servicing debt: There has been delay in KEPL's part in timely servicing of debt obligation.

Weak financial risk profile: Gearing (debt to equity ratio) remained high at 2.76 times in FY 2014. Also, there is stressed liquidity marked by increasing working capital cycle.

Analytical approach: SMERA has considered standalone business and financial risk profile of the company.

Applicable criteria:

- Manufacturing entities: <https://www.smera.in/criteria-manufacturing.htm>
- Application of financial ratio and adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default recognition: <https://www.smera.in/criteria-default.htm>

About the entity:

KEPL was reconstituted as a private limited company and was given its current name (initially Kaveri Constructions) in October 2002.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history (last three years):

Name of Instrument /Facilities	FY2018			2017		2016		2015	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	15.00	SMERA D (Reaffirmed)	-	-	-	-	August 28, 2015	SMERA D (Assigned)
Cash Credit – Adhoc	LT	1.20	SMERA D (Reaffirmed)	-	-	-	-	August 28, 2015	SMERA D (Assigned)
Working Capital Term Loan	LT	15.00	SMERA D (Reaffirmed)	-	-	-	-	August 28, 2015	SMERA D (Assigned)
Term Loan	LT	0.36	SMERA D (Reaffirmed)	-	-	-	-	August 28, 2015	SMERA D (Assigned)
Bank Guarantee	ST	3.00	SMERA D (Reaffirmed)	-	-	-	-	August 28, 2015	SMERA D (Assigned)

***Annexure – Details of instruments rated:**

Name of the Facility	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/ Outlook
Cash Credit	NA	NA	NA	15.00	SMERA D (Reaffirmed)
Cash Credit – Adhoc	NA	NA	NA	1.20	SMERA D (Reaffirmed)
Working Capital Term Loan	NA	NA	NA	15.00	SMERA D (Reaffirmed)
Term Loan	NA	NA	NA	0.36	SMERA D (Reaffirmed)
Bank Guarantee	NA	NA	NA	3.00	SMERA D (Reaffirmed)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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