

## Press Release

**Kavcon Engineers Private Limited**

18 October, 2017



### Rating Reaffirmed

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