

Press Release

Crescon Projects & Services Private Limited (CPSPL)

08 February, 2017

Rating Upgraded

Total Bank Facilities Rated*	Rs.24.00 Cr
Long Term Rating	SMERA BB-/Stable (Upgraded from SMERA B+/Stable)
Short Term Rating	SMERA A4+ (Upgraded from SMERA A4)

*Refer Annexure for details

Rating Rationale

SMERA has upgraded the ratings on the Rs.18.00 crore bank facilities of Crescon Projects & Services Private Limited (CPSPL) to '**SMERA BB-**' (read as double B minus) and '**SMERA A4+**' (read as SMERA A four plus) from 'SMERA B+' (read as SMERA B plus) and 'SMERA A4' (read as SMERA A four). SMERA has also assigned ratings of '**SMERA BB-**' (read as SMERA double B minus) and '**SMERA A4+**' (read as SMERA A four plus) on the Rs.6.00 crore proposed bank facilities of CPSPL. The outlook is '**Stable**'.

CPSPL, incorporated in 2012 was promoted by Mr. R. Vaikunth and Mr. V. Prasath. The promoters possess extensive experience of over four decades in MEP (Mechanical, Electrical and Plumbing) work for industrial projects.

List of key rating drivers and their detailed description

Strengths:

Extensive experience of the promoters: The promoters possess over a decade's experience in the aforementioned line of business.

Healthy growth in revenue and order book position: CPSPL reported operating income of Rs.30.65 crore in FY2015-16 as against Rs.14.62 crore in FY2014-15, registering a growth of ~110 per cent. This is mainly on account of the mechanical, electrical and plumbing (MEP) work undertaken from Rexam Beverage Can (India) Private Limited worth Rs.56.00 crore (completion stage). Further, the company achieved operating income of Rs.41.56 crore from April, 2016 to November, 2016 (Provisional). The company has order book of around Rs.53.00 crore as on December 2016 with orders from reputed customers such as TVS Infrastructure, ITC Limited, Renault among others that provide revenue visibility over the medium term.

Moderate financial risk profile: The financial risk profile is moderate marked by low net worth of Rs.3.26 crore as on 31 March, 2016 (Rs.1.38 crore in the previous year). The gearing (Debt-to-equity) stood at 1.17 times as on 31 March, 2016 as against 1.70 times as on 31 March, 2015. The coverage indicators are comfortable as interest coverage ratio (ICR) stood at 4.07 times for FY2015-16 (7.82 times for FY2014-15). The debt service coverage ratio (DSCR) stood at 3.44 times in FY2015-16 as against 5.77 times in FY2014-15.

Weaknesses:

Working capital intensive operations: The operations are working capital intensive with gross current assets (GCA) of 242 days in FY2015-16 as against 158 days in the previous year. The high GCA days emanate from the high debtor days of 161 for FY2016.

Susceptibility of profit margins to fluctuations in raw material prices: The operating margins of the company declined to 6.09 per cent in FY2015-16 from 8.10 per cent in FY2014-15 due to increase in raw material prices.

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

Applicable Criteria

- Service Entities - <https://www.smera.in/criteria-services.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that CPSPL will continue to maintain a stable outlook in the medium term owing to the promoter's extensive industry experience. The outlook may be revised to 'Positive' if the company increase its scale operations while maintaining sustainable profit margins. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability in revenues or registers deterioration in the financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity

Incorporated in 2012, the Chennai-based CPSPL was promoted by Mr. R. Vaikunth and Mr. V. Prasath who possess over a decade's experience in the above mentioned industry. The company specialises in mechanical, electrical and plumbing (MEP) work for industrial projects and has a reputed list of clients including Saint Gobain, Toshiba, Michelin among others.

For FY2015-16, the company reported profit after tax (PAT) of Rs.0.98 crore on operating income of Rs.30.65 crore, as compared with PAT of Rs.0.69 crore on operating income of Rs.14.62 crore in FY2014-15. The net worth stood at Rs.3.26 crore as on 31 March, 2016 against Rs.1.38 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	1.00	SMERA BB-/Stable (Upgraded)	08 Feb, 2016	SMERA B+/Stable (Assigned)	-	-	-	-
Letter of Credit	ST	5.00	SMERA A4+ (Upgraded)	08 Feb, 2016	SMERA A4 (Assigned)	-	-	-	-
Bank Guarantee	ST	12.00	SMERA A4+ (Upgraded)	08 Feb, 2016	SMERA A4 (Assigned)	-	-	-	-
Proposed Bank Facilities (Fund/Non Fund Based)	LT/ST	6.00	SMERA BB-/Stable / A4+ (Assigned)	-	-	-	-	-	-

*Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	N.A	N.A	N.A	1.00	SMERA BB-/Stable (Upgraded)
Letter of Credit	N.A	N.A	N.A	5.00	SMERA A4+ (Upgraded)
Bank Guarantee	N.A	N.A	N.A	12.00	SMERA A4+ (Upgraded)
Proposed Bank Facilities (Fund/Non Fund Based)	N.A	N.A	N.A	6.00	SMERA BB-/Stable/A4+ (Assigned)

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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