

Press Release

Crescon Projects & Services Private Limited (CPSPL)

05 April, 2018



Rating Upgraded And Reaffirmed

Total Bank Facilities Rated*	Rs.24.00 Cr.
Long Term Rating	SMERA BB/ Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has upgraded the long term rating on the above mentioned facilities of Crescon Projects & Services Private Limited (CPSPL) to '**SMERA BB**' (read as SMERA double B) from '**SMERA BB-**' (read as SMERA double B minus) and reaffirmed the short term rating to '**SMERA A4+**' (read as SMERA A four plus). The outlook is '**Stable**'.

Incorporated in 2012, the Chennai-based CPSPL specialises in mechanical, electrical and plumbing (MEP) work for industrial projects. Promoted by Mr. Vaikunta Ramasubramaniam and Mr. Prasanth Velusamy, the company caters to a reputed client base including Saint Gobain, Toshiba, and Michelin.

The rating upgrade reflects sustained growth in revenue profile, improvement in profitability and financial risk profile supported by growth in the industrial sector.

Key rating drivers**Strengths**

Experienced management: Mr. Vaikunta Ramasubramaniam a chartered accountant by profession has around four decades of experience across industries including automotive and allied businesses, heavy vehicles and construction equipment. Mr. Prasanth Velusamy, a mechanical engineer, has experience of about a decade in executing mechanical and electrical projects.

Healthy growth in revenue and order book position: CPSPL reported operating income of Rs.70.22 crore in FY2016-17 as against Rs.30.65 crore in FY2015-16, registering a growth of ~130 per cent. Further, the company achieved operating income of ~Rs.85 crore from April, 2017 to February, 2018 (Provisional). The company has an order book of around Rs.137.44 crore as on February 2018 with orders from reputed customers such as TVS Infrastructure Pvt Ltd, ITC Limited, and Thermax Limited among others executable till September 2018. This provides revenue visibility over the medium term. The company also has bid for tenders amounting to Rs.205.13 crore as on March 21, 2018.

Average financial risk profile: The average financial risk profile is marked by low net worth, comfortable gearing and healthy debt protection measures. The net worth level stood at Rs.6.02 crore as on 31 March, 2017 as compared to Rs.3.26 crore in the previous year. The gearing levels remained low at 0.58 times in FY2017 as against 1.17 times in FY2016. The gearing levels improved due to increase in net worth levels supported by accretion to reserves. The interest coverage levels increased to 4.26 times in FY2017 from 4.07 times in FY2016 due to increase in profitability levels. The Net Cash Accruals to Total Debt (NCA/TD) stood at 0.83 times in FY2017 as compared to 0.31 times in FY2016.

Weaknesses

Working capital intensive operations: The company's operations remained working capital intensive, as

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reflected in the high Gross Current Assets (GCA) of 126 days as on March 31, 2017 and 242 days as on March 31, 2016 due to high debtor days. However, debtor days improved from 161 as on March 31, 2016 to 64 days as on March 31, 2017 due to receipt of payments from suppliers. The inventory days declined from 47 days as on March 31, 2016 to 17 days as on March 31, 2017.

Highly competitive and tender based nature of business: The MEP works industry is highly fragmented with a large number of organised and unorganised players. The nature of business is tender based with pressure on profitability margins.

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

Outlook – Stable

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

About the rated entity Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	70.22	30.65	14.62
EBITDA	Rs. Cr.	5.19	1.87	1.18
PAT	Rs. Cr.	2.76	0.98	0.69
EBITDA Margin	(%)	7.39	6.09	8.10
PAT Margin	(%)	3.93	3.18	4.70
ROCE	(%)	65.88	32.95	38.20
Total Debt/Tangible Net Worth	Times	0.58	1.17	1.70
PBDIT/Interest	Times	4.26	4.07	7.82
Total Debt/PBDIT	Times	0.62	1.92	1.86
Gross Current Assets (Days)	Days	126	242	158

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
08-Feb-2017	Cash Credit	Long Term	1.00	SMERA BB-/Stable (Upgraded)
	Letter of Credit	Short Term	5.00	SMERA A4+ (Upgraded)
	Bank Guarantee	Short Term	12.00	SMERA A4+ (Upgraded)
	Proposed Working Capital Demand Loan	Long Term	6.00	SMERA BB-/Stable (Assigned)
08-Feb-2016	Cash Credit	Long Term	1.00	SMERA B+/Stable (Assigned)
	Letter of Credit	Short Term	5.00	SMERA A4 (Assigned)
	Bank Guarantee	Short Term	12.00	SMERA 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
Overdraft	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BB/ Stable (Upgraded)
Bank Guarantee*	Not Applicable	Not Applicable	Not Applicable	22.00	SMERA A4+ (Reaffirmed)

*Sublimit of Letter of Credit amounting to Rs.6.00 crore.

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ABOUT SMERA

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