

Press Release

Vipin Shah And Associates

March 22, 2017

Rating Upgraded

Total Bank Facilities Rated*	Rs. 8.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has upgraded long-term rating of '**SMERA B**' (**read as SMERA B**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 8.00 crore bank facilities of Vipin Shah And Associates. The outlook is '**Stable**'.

Vipin Shah and Associates (VSA) was established in 1996 by Mr. Vipin Shah. The firm is engaged in the business of civil construction and executes turnkey projects. The proprietor, a civil engineer, possesses experience of over two decades in the said line of business.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

The firm was established in 1996 by Mr. Vipin Shah who possesses experience of over two decades in the said line of business.

- **Increase in revenue**

VSA's revenue increased to Rs. 12.33 cr in FY2015-16 from Rs. 2.92 cr in FY2014-15. The EBITDA margins stood at 11.11 per cent while the PAT margins stood at 3.65 per cent in FY2016. Further, the firm booked revenue of Rs. 13 cr for the period April 2016 to January 2017.

Weaknesses

- **Working capital intensive operations**

VSA's operations are working capital intensive reflected in the elongated working capital cycle due to high debtors of 339 days in FY2016 as against 967 days in FY2015. The creditor days stood at 408 in FY2016 as against 2321 days in FY2015. The inventory days improved from 424 to 36 in FY2016.

- **Average financial risk profile**

The firm has average financial risk profile marked by low net worth of Rs. 3.56 cr in FY2016. The Interest coverage ratio stood at 1.58 times in FY2016 as against 1.15 times in FY2015. The gearing stood at 2.98 times in FY2016 as against 3.17 times in FY2015. The TOL/TNW stood at 5.28 times in FY2016.

- **Highly fragmented and competitive industry**

The firm executes turnkey projects (interior designing) and undertakes civil construction work in an intensely competitive civil construction industry that has several big to large sized players.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of Vipin Shah and Associates to arrive at the rating.

Outlook: Stable

SMERA believes that VSA will maintain a stable outlook over the medium term and benefit from its experienced management. The outlook may be revised to Positive if the firm registers substantial growth in revenue and profitability while maintaining its debt protection metrics. Conversely, the outlook may be revised to Negative in case of deterioration in the financial risk profile or working capital management.

About the Rated Entity - Key Financials

For FY2015-16, the firm reported profit after tax (PAT) of Rs.0.45 cr on operating income of Rs.12.33 cr, as compared to PAT of Rs.0.10 cr on operating income of Rs.2.92 cr in the previous year. The net worth stood at Rs.3.56 cr as on 31 March, 2016 against Rs.2.98 cr a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

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>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
09-May-2016	Cash Credit	Long Term	INR 3	SMERA B- / Stable
	Bank Guarantee	Short Term	INR 5	SMERA A4

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA B / Stable
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A4

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