

Vasishta Projects: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	10.00	SMERA BB/Stable (Assigned)
Bank Guarantee	12.00	SMERA A4+ (Assigned)
Bank Guarantee (Proposed)	20.00	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB**' (read as **SMERA double B**) to the Rs.10.00 crore short term bank facility and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.32.00 crore short term bank facilities of Vasishta Projects (VP). The outlook is '**Stable**'.

The ratings are supported by the firm's experienced promoters, improved revenues, comfortable financial risk profile and healthy order book position. However, the ratings are constrained by the firm's tender based business, high customer concentration risk and working capital intensive operations.

VP benefits from its experienced promoters. Mr. A V S Bhasker has 15 years of experience in the civil construction industry. The revenues have improved from Rs.30.10 crore in FY2014-15 to Rs.64.21 crore in FY2016 (provisional). The comfortable financial risk profile is marked by interest coverage ratio (ICR) of 2.32 times and debt service coverage ratio (DSCR) of 2.06 times as on March 31, 2016. The gearing (debt to equity) stood at 2.28 times as on March 31, 2016 (provisional). The firm has healthy order book position with unexecuted orders of Rs.96.58 crore, which are likely to be executed by FY2017-18.

VP's business risk profile is constrained due to high customer concentration risk with top five customers accounting for around 90 per cent of total revenues. The firm's operations are working capital intensive with elongated working capital cycle of 103 days. The average utilisation in cash credit limit is around 95.58 per cent during January 2016 to June 2016.

Rating Sensitivity Factors

- Scaling up operations while maintaining profitability
- Efficient working capital management
- Improvement in capital structure and coverage indicators

Outlook-Stable

SMERA believes VP will maintain a Stable outlook over the medium term on the back of its experienced management. The outlook may be revised to 'Positive' in case the firm registers more than expected growth in revenues while achieving improvement in profitability and financial risk profile. Conversely the outlook may be revised to negative in case of high working capital requirements increasing pressure on margins.

Criteria applied to arrive at the rating:

- Manufacturing Entities

About the Firm

Vasishta, established in 2009, is a Hyderabad-based partnership firm promoted by Mr. A V S Bhasker and his wife Mrs. A Sri Lakshmi. The firm undertakes civil construction work primarily related to airports, roads, and buildings.

For FY2015-16 (provisional), VP registered profit after tax (PAT) of Rs.1.99 crore on operating income of Rs.64.21 crore, as compared with PAT of Rs.1.35 crore on operating of Rs.30.10 crore in FY2014-15. The tangible net worth stood at Rs.12.09 crore in FY2015-16 as compared to Rs. 8.42 crore in the previous year.

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operation, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.