

K.V. Prateek Enterprises: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Term Loan	0.22	SMERA BB/Stable (Assigned)
Cash Credit	2.50	SMERA BB/Stable (Assigned)
Bank Guarantee	5.00	SMERA A4+ (Assigned)
Long Term Facilities (Proposed)	0.28	SMERA BB/Stable (Assigned)

SMERA has assigned rating of '**SMERA BB**' (read as **SMERA double B**) on the Rs.3.00 crore long term (fund based) bank facilities and '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.5.00 crore short term (non-fund based) bank facility of K.V. Prateek Enterprises (KVPE). The outlook is '**Stable**'. The ratings derive comfort from the experienced management, moderate financial risk profile and healthy relations with customers and suppliers. The ratings also draw support from the moderate profitability profile and order book. However, the aforementioned strengths are partially offset by the modest scale of operations and working capital intensive business. Further, the ratings are also constrained by the tender based orders and intense competition in the infrastructure industry.

KVPE, incorporated in 1991, is a New Delhi-based proprietorship firm that undertakes laying of underground cables and sub-station contracts for government and non-government organisations. The firm's business risk profile is supported by an experienced management. Mr. Madan Mehta, Proprietor, has over three decades of experience in the firm's line of business. The financial risk profile is moderate evident from the leverage (debt-equity ratio) of 1.04 times in FY2015-16 (refer to financial year from April 1 to March 31) against 0.98 times in FY2014-15. Further, the firm has above average interest coverage ratio of 2.65 times in FY2015-16 as against 2.76 times during the previous year.

KVPE has moderate profitability profile marked by operating margin of 5.69 per cent in FY2015-16 that improved from 5.27 per cent in FY2014-15. The firm has healthy relations with customers and suppliers evident from the order book of Rs. ~22.5 crore as on August, 2016.

However, the firm has modest scale of operations with operating income of Rs.25.10 crore in FY2015-16 against Rs.25.07 crore during the previous year. The operations are working capital intensive evident from the gross current assets (GCA) of 175 days in FY2015-16 against 157 days during the previous year. The high GCA days emanate from the collection period of 94 days in FY2015-16 in contrast to 80 days during the previous year. SMERA believes that over the medium term, the operations will continue to remain working capital intensive considering that the firm deals with government and non-government organisations. The collection period is expected to remain around three to four months.

The ratings also factor in the high dependence on tenders floated by government and non-government players such as Delhi Metro Rail Corporation (DMRC), ABB Limited, Siemens Limited, BSES and Ircon International Limited to name a few. The ratings also note the intense competition from other players in the infrastructure development industry.

Outlook: Stable

SMERA believes that KVPE will maintain a stable outlook over the medium term owing to its experienced management and established association with customers and suppliers. The outlook may be revised to 'Positive' in case the firm registers strong growth in its scale of operations while achieving sustained improvement in profit margins and working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the capital structure or stretch in the working capital cycle.

Rating Sensitivity Factors

- Sustainable improvement in operating income and profitability profile
- Efficient working capital management

Criteria applied for arriving at ratings:

- Manufacturing entities

About the Firm

KVPE, incorporated in 1991, is a New-Delhi based proprietorship firm, engaged in the laying of cable lines and setting up sub-stations for the state government, PSU's and renowned MNCs such as BHEL, Siemens, Tata Power, L&T and Delhi Metro Rail Corporation (DMRC). The firm's operations are managed by Mr. Madan Mehta.

KVPE reported net profit of Rs.0.76 crore on operating income of Rs.25.10 crore for FY2015-16, as compared with net profit of Rs.0.76 crore on operating income of Rs.25.07 crore in FY2014-15. The net worth stood at Rs.4.16 crore as on March 31, 2016, as against Rs.3.55 crore a year earlier.

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ABOUT SMERA

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