

Press Release

K.V. Prateek Enterprises (KVPE)

09 March, 2018



Rating Reaffirmed

Total Bank Facilities Rated *	Rs.8.00 cr
Long Term Rating	SMERA BB/ Outlook: Stable
Short Term Rating	SMERA A4+

Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BB**' (read as SMERA double B) and short term rating of '**SMERA A4+**' (read as SMERA A four plus) on the Rs.8.00 crore bank facilities of K V Prateek Enterprises (KVPE). The outlook is '**Stable**'.

K.V. Prateek Enterprises (KVPE), established by Mr. Madan Mehta, is a New-Delhi based proprietary concern engaged in the laying of cable lines and setting up of sub-stations. The firm caters to state government organisations, PSU's and other companies including BHEL, Siemens, Tata Power to name a few. The operations are led by Mr. Madan Mehta.

Key Rating Drivers

Strengths

Established track record of operations, experienced management

KVPE, established in 1991 is engaged in the laying of cable lines and setting up of sub-stations. Mr. Madan Mehta, the Proprietor, has around 35 years of experience in the said line of business.

Reputed clientele

The firm caters to the state government, PSU's and other organisations. Over the years, the firm has developed long standing relations with clients - Delhi metro Rail Corporation (DMRC), L& T Ltd, BHEL, Tata Power Limited and Siemens Limited among others.

Above average financial risk profile

KVPE has networth of Rs.4.72 crore as on 31 March, 2017 as against Rs.4.16 crore as on 31 March, 2016. The gearing (Debt-to-equity) stood at 0.81 times as on 31 March, 2017 as against 1.04 times as on 31 March, 2016. The total debt of Rs.3.80 crore mainly comprises long term loan of Rs.0.10 crore, working capital limits of Rs.1.51 crore and unsecured loan raised through relatives of Rs.2.19 crore. The Interest Coverage Ratio (ICR) stood at 3.71 times for FY2017 against 2.65 times as on 31 March 2016. Further, NCA/ TD stood at 0.28 times for FY2017.

Weaknesses

Modest scale of operations

KVPE has modest scale of operations marked by operating income of Rs.26.24 crore for FY2017 against Rs.25.10 crore for FY2016 and Rs.25.07 crore for FY2015. Further, from April to November 2017, the firm registered operating income of Rs.15.58 crore and order book position of ~Rs.58.00 crore to be executed within two years.

Working capital intensive operations

KVPE's operations are working capital intensive evident from the Gross Current Asset (GCA) days of 172 for FY2017 against 175 for FY2016. The GCA days are associated with longer collection period marked by debtor days of 105 days in FY2016-17, which increased from 94 days during the previous year. Further, utilisation of working capital borrowing stood at ~100.00 percent for the past six months ended December, 2017

Tender driven nature of business

The business is tender based. The firm applies for tenders floated by Delhi Metro Rail Corporation Limited (DMRC), Mumbai Monorail, BSES, Delhi Transco Limited, L&T Limited among others.

Analytical Approach

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

Outlook: Stable

SMERA believes that KVPE will maintain a stable outlook over the medium term and continue to benefit from 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.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	26.24	25.10	25.07
EBITDA	Rs. Cr.	1.62	1.43	1.32
PAT	Rs. Cr.	0.90	0.76	0.76
EBITDA Margin (%)	(%)	6.16	5.69	5.27
PAT Margin (%)	(%)	3.43	3.03	3.02
ROCE (%)	(%)	17.71	17.14	35.70
Total Debt/Tangible Net Worth	Times	0.81	1.04	0.98
PBDIT/Interest	Times	3.71	2.65	2.76
Total Debt/PBDIT	Times	2.60	2.89	2.54
Gross Current Assets (Days)	Days	172	175	157

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>
- Entity in Service Sector -<https://www.smera.in/criteria-service.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. Crore)	Ratings/Outlook
28-Sep, 2016	Term Loan	Long Term	INR 0.22	SMERA BB / Stable (Assigned)
	Cash Credit	Long Term	INR 2.5	SMERA BB / Stable (Assigned)
	Bank Guarantee	Short Term	INR 5	SMERA A4+ (Assigned)
	Proposed Working Capital Demand Loan	Long Term	INR 0.28	SMERA BB / Stable (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	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4+
Proposed	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA BB / Stable

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in	Varsha Bist, Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Shashikala Hegde, Senior Rating Analyst, Tel: 022-67141321 Email: shashikala.hegde@smera.in	

ABOUT SMERA

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