

Press Release

K.V. Prateek Enterprises

March 28, 2019



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

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

The New Delhi based K V Prateek Enterprises (KVPE) was established in 1991 as a proprietorship concern by Mr. Madan Mehta. The firm is engaged in the business of laying cable lines and setting up sub-station for state government, PSU's and renowned MNC's such as BHEL, Siemens, Tata Power, L&T and Delhi Metro Rail Corporation (DMRC) among others

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management established track record of operations**

The promoter, Mr. Madan Mehta has more than two decades of experience in cables and wire industry. The experience of the promoter and established presence in market has led to maintaining healthy relations with customers such as BHEL, Siemens, Tata Power, L&T and Delhi Metro Rail Corporation (DMRC) are name of few among others.

Acuité believes that KVPE will continue to benefit from the promoter's established presence in the plastic industry and its improving its business risk profile over the medium term.

- **Above average financial risk profile**

The firm has above average financial risk profile healthy gearing and debt protection matrices. The net worth is low at Rs.7.79 crores as on March 31, 2018 which improved from Rs.6.91 crores as on 31 March, 2017. It includes unsecured loans of Rs.2.56 crore as on 31 March 2018 which are considered as quasi equity. The adjusted gearing stood healthy at 0.12 times as on 31 March 2018 as compared to 0.23 times as on 31 March 2017. The interest coverage ratio stood at 3.51 times in FY2018 vis-à-vis 3.71 times in FY2017. The Total Outside Liabilities to Tangible Net Worth (TOL/TNW) moderate at 1.47 times as on 31st March, 2018 compared to 1.12 times as on 31st March, 2017.

Weaknesses

- **Working capital intensive operations**

Operations of the firm were working capital intensive marked by high gross current assets (GCA) of 223 days in FY2018 as against 172 days in FY2017. The GCA day were high on account of stretch in receivable days to 132 in FY2018 as against 105 days in FY2017. However, the firm is able to support its working capital requirements by stretching the creditors' cycle to 273 days in FY2018 as against 131 days in FY2017.

Acuité believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

• **Modest scale of operations**

KVPE has witnessed uneven revenue trend for the period under study (FY2016-FY2018). The firm registered revenues of Rs.24.28 crores in FY2018 against Rs.26.24 crores as on FY2017 as against Rs.25.10 crore in FY2016. It has reported revenue of Rs.18.57 crore (Provisional) as on 11MFY2019 ending January 2019.

• **Competitive and fragmented industry**

The firm is engaged business of laying cable lines and setting up sub-station. The particular sector is marked by the presence of several players. The firm faces intense competition from these players in the sector. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts. However, this risk is mitigated to an extent on account of extensive experience of the management.

Liquidity position

KVPE has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.1.06 crore while its maturing debt obligations nil. The cash accruals of the KVPE are estimated to remain around Rs.1.00 to 1.50 crore during 2019-21. The firm is having intensive working capital cycle is relatively efficient considering the Gross Current Assets (GCA) of 223 days in FY2018. The current ratio of the KVPE stood at 1.40 times as on March 31, 2018 as against 1.70 times in FY2017.

Outlook: Stable

Acuité believes that KVPE will maintain a 'Stable' outlook and benefit over the medium term owing to its promoters' extensive experience in the plastic industry and established relations with clientele. The outlook may be revised to 'Positive' if the net cash accruals increase substantially with improvement in capital structure. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve scalability and liquidity or the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded expansion and working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	24.28	26.24	25.10
EBITDA	Rs. Cr.	1.53	1.62	1.43
PAT	Rs. Cr.	0.91	0.90	0.76
EBITDA Margin	(%)	6.31	6.16	5.69
PAT Margin	(%)	3.73	3.43	3.03
ROCE	(%)	15.36	15.21	17.14
Total Debt/Tangible Net Worth	Times	0.12	0.23	0.44
PBDIT/Interest	Times	3.51	3.71	2.65
Total Debt/PBDIT	Times	0.65	1.10	1.72
Gross Current Assets (Days)	Days	223	172	175

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Entities in the service sector - <http://acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
09-Mar-18	Cash Credit	Long term	2.50	ACUITE BB/Stable (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Proposed Long Term Loan	Long term	0.50	ACUITE BB/Stable (Reaffirmed)
28-Sep-16	Term Loan	Long term	0.22	ACUITE BB/Stable (Assigned)
	Cash Credit	Long term	2.50	ACUITE BB/Stable (Assigned)
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Assigned)
	Proposed Working Capital Facility	Long term	0.28	ACUITE 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	ACUITE BB/Stable (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ (Reaffirmed)
Proposed Bankfacility	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BB/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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