

Press Release

K.V. Prateek Enterprises

June 03, 2020



Rating Upgraded & Reaffirmed

Total Bank Facilities Rated*	Rs. 9.25 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable (Upgraded from ACUITE BB/Stable)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE BB+**' (**read as ACUITE double B plus**) from '**ACUITE BB**' (**read as ACUITE double B**) on the Rs.3.25 crore bank facilities of K V Prateek Enterprises (KVPE). The outlook is '**Stable**'.

Further, Acuité has reaffirmed the short-term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 6.00 crore bank facilities of **K V PRATEEK ENTERPRISES (KVPE)**.

The rating upgrade is on account of improvement in business operations backed by healthy order book position, reputed clientele and comfortable debt protection measures. The firm has an order book of Rs.95.20 crore out of which Rs.43.56 crore work is expected to be completed by FY2022. Its reputed clientele consists of Bharat Heavy Electricals Limited (BHEL), Siemens, Tata Power, Larson and Toubro (L&T) and Delhi Metro Rail Corporation (DMRC) to name a few. Further, the rating is supported by experience management and long track record of operations. The rating is constrained on account of modest scale of operations albeit increasing trend and continued working capital intensive nature of operations. The revenues have increased to Rs.33.83 crore in FY2019 from Rs.24.28 crore in FY2018. Further, the revenues have increased to Rs.39.09 crore in FY2020 (Provisional).

Established in 1991, K.V. Prateek Enterprises (KVPE) is a New-Delhi based proprietorship firm engaged in laying and commissioning of EHV cables up to the level of 400KV, installation of third rail/conductor rail for metro and monorail projects, erection and commissioning of grid sub-stations up to the voltage of 220KV and AMCs for complete EHV systems (66KV & 33KV network) for state government, PSU's and private sector

Analytical Approach

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

Key Rating Drivers

Strengths

Established track record of operations and experienced management

KVPE was established as a proprietorship concern in 1991 by Mr. Madan Mehta. The day to day operations are managed by Mr. Madan Mehta who has an experience of over two decades in the infrastructure industry. The firm caters to reputed clientele which includes PSUs as well as private sectors. The clientele includes players like BHEL, Delhi Metro, Siemens Limited, Tata Power Limited among others. The experience of the management coupled with established track record has helped the firm generate healthy order book position. The order book position stood at Rs.95.20 crore out of which Rs.43.56 crore is expected to be completed by FY2022, thus giving a healthy revenue visibility in near to medium term.

Acuité believes that the firm will be benefited over the medium term on the back of established presence in the infrastructure industry, experienced management and healthy order book position.

Healthy financial risk profile

The financial risk profile of the firm is healthy marked by high debt protection measures, moderate net worth and low gearing. The tangible net worth stood moderate at Rs.10.89 crore as on 31 March, 2020 (Provisional) as against Rs.9.09 crore as on 31 March, 2019. The gearing stood low at 0.41 times as on 31 March, 2020 (Provisional) as against 0.34 times as on 31 March, 2019. The total debt of Rs.4.42 crore outstanding as on 31 March, 2020 (Provisional) comprises of Rs.1.96 crore as unsecured loan from the related parties and Rs.2.46 crore working capital borrowings. The coverage indicators stood healthy marked by interest coverage ratio (ICR) which stood at 10.69 times in FY2020 (Provisional) from 13.52 times in FY2019. Debt Service Coverage Ratio (DSCR) stood at 26.51 times in FY2020 (Provisional) from 36.76 times in FY2019. The total outside liabilities to tangible net worth (TOL/TNW) improved to 1.18 times as on 31 March, 2020 (Provisional) as against 1.86 times as on 31 March, 2019.

Acuite believes that the financial risk profile of the firm will remain healthy over the medium term on account of improvement in scale of operations and net cash accruals backed by healthy order book.

Weaknesses

Intensive working capital operations

The working capital cycle of the firm is intensive in nature marked by high Gross Current Asset (GCA) days of 168 days in FY2020 (Provisional) as against 217 days in FY2019. The debtor days stood at 49 days in FY2020 (Provisional) as against 115 days in FY2019. What is the reason for decrease in debtors? The working capital intensive nature of operations has led to full utilised of working capital limits for the last six months ending April, 2020. Further, efficiently managing the working capital leading to lower reliance over external debt will remain a key monitorable.

Liquidity Position: Stretched

The firm has stretched liquidity marked by working capital intensive nature of operations marked by high gross current asset (GCA) days of 168 in FY2020 (Provisional). This has led to high reliance on working capital borrowings, the cash credit limit remains fully utilized during the last six months period ended April, 2020. The company generated net cash accruals of Rs.1.06 to 2.17 crore during the last three years through 2018-20, while it's maturing debt obligations is nil in FY2020 (Provisional). The firm maintains unencumbered cash and bank balances of Rs.4.31 crore as on March 31, 2020 (Provisional).

Acuite believes the firm's ability to maintain its liquidity profile will remain a key rating sensitivity factor.

Outlook: Stable

Acuite believes the outlook on the firm's rated facilities will remain 'Stable' on account of the established presence in the infrastructure industry. The outlook may be revised to 'Positive' if the firm achieves a sustained growth in revenues, profit margins and improves its capital structure. The outlook may be revised to 'Negative' in case the firm registers significant decline in cash accruals or deterioration in working capital cycle resulting in deterioration of its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY20 (Prov.)	FY19 (Actual)
Operating Income	Rs. Cr.	39.09	33.83
PAT	Rs. Cr.	1.84	1.49
PAT Margin	(%)	4.71	4.42
Total Debt/Tangible Net Worth	Times	0.96	1.02
PBDIT/Interest	Times	10.69	13.52

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

None

Any other information

Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.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.)	Ratings/Outlook
28-Mar-2019	Cash Credit	Long Term	2.50	ACUITE BB/Stable (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Proposed Bank Facility	Long Term	0.50	ACUITE BB/Stable (Reaffirmed)
09-Mar-2018	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-Sept-2016	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 Demand Loan	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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.25	ACUITE BB+ / Stable (Upgraded from ACUITE BB/Stable)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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