

Pravesh Construction: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit Clean	3.00	SMERA BB- / Stable (Assigned)
Proposed Cash Credit Clean	1.00	SMERA BB- / Stable (Assigned)
Bank Guarantee (Inland)	6.00	SMERA A4+ (Assigned)
Proposed Bank Guarantee (Inland)	5.00	SMERA A4+ (Assigned)

SMERA has assigned long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) on the Rs.4.00 crore fund based facility and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.11.00 crore non-fund based facilities of Pravesh Construction (PC). The outlook is '**Stable**'. The ratings draw support from the experienced management and moderate financial risk profile. However, the ratings are constrained by the working capital intensive operations and relatively modest scale of business.

PC, a proprietorship concern undertakes turnkey projects for the railways. The promoter, Mr. Pravesh Tiwari possesses extensive experience in the industry. The day-to-day operations are managed by his son, Mr. Umakant Tiwari. The financial risk profile of the firm is marked by healthy debt protection metrics, high gearing levels and low net worth base. The interest coverage and debt service coverage ratios have been at 4.30 times and 3.33 times in FY2016 respectively. The gearing levels are aggressive at 2.04 times in FY2016 as against 1.98 times in FY2014. The net worth base is at a low of around Rs.1.62 crore as on March 31, 2016.

PC's working capital intensive operations are marked by high gross asset days of 194 days and 218 days in FY2016 and FY2015 respectively. This is mainly on account of high security deposits with the Indian Railways apart from the usual debtors and inventory.

The relatively modest scale of operations are marked by revenue of Rs.14.60 crore in FY2016 as compared to Rs.13.07 crore in FY2015. However, the same has increased at a CAGR of 19.23 percent during FY2014-16.

Rating Sensitivity Factors

- Scaling up operations while maintaining profitability
- Efficient working capital management

Outlook – Stable

SMERA believes that PC will maintain a stable outlook in the medium term while benefitting from its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' if the firm scales up operations while maintaining profitability. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability or if the working capital cycle further deteriorates.

About the Firm

Established in 1986, Pravesh Construction is a proprietorship concern that undertakes turnkey projects such as panel interlocking for railway signals, solid state interlocking, route relay interlocking among others. The firm was promoted by Mr. Pravesh Tiwari and the day-to-day operations are managed by his son, Mr. Umakant Tiwari.

For FY2016, PC reported profit after tax (PAT) of Rs.0.66 crore on total operating income of Rs.14.60 crore, as compared with PAT of Rs.0.68 crore on total operating income of Rs.13.07 crore in FY2015. The tangible net worth stands at Rs.1.62 crore in FY2016 as compared to Rs.1.60 crore in FY2015.

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ABOUT SMERA

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