

Press Release

Vasco Environmental India Private Limited

March 27, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs. 6.00 crore bank facilities of Vasco Environmental India Private Limited. The outlook is '**Stable**'.

Vasco Environmental India Private Limited (VEIPL), incorporated in 1997 is a Hyderabad-based company engaged in civil construction. The company undertakes construction, erection, testing, commissioning of water and sewage treatment plants. The promoters, Mr. Vishwanathan Vasu Arangath and Mr. Manthrayil Krishna Menonvasu have more than two decades of experience in the aforementioned industry.

Key Rating Drivers

Strengths

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

VEIPL was incorporated in 1997. The promoters possess more than two decades of experience in the civil construction industry.

- **Improvement in operating margins**

VEIPL's EBITDA margin improved to 15.41 percent in FY2016 as compared to 12.77 percent in FY2015. This was on account of decline in sub contract charges. VEIPL has moderate RoCE which stood at 14.45 percent in FY2016.

Weaknesses

- **Small scale of operations and tender based business**

VEIPL's scale of operations are small marked by operating income of Rs. 9.02 cr for FY2016 and Rs.13.76 cr for FY2015. The company registered revenue of ~Rs.7.00 cr from April 2016 to January 2016 and has orders of ~Rs.36.00 cr as on February 2017. VEIPL's performance is susceptible to the tender based nature of activities and intense competition among players bidding for tenders. However, the company plans to cater to private players in the coming years.

- **Average financial risk profile**

VEIPL's financial risk profile has been average marked by net worth of Rs. 2.03 cr and high gearing of 3.31 times as on March 31, 2016 as against net worth of Rs. 1.86 cr and gearing of 2.15 times as on March 31, 2015. The coverage indicators are moderate as interest coverage ratio and DSCR stood at 1.96 times and 1.29 times for FY2016. The NCA/TD stood at 0.08 times for FY2016. The TOL/TNW stood high at 4.11 times for FY2016.

- **Working capital intensive operations**

VEIPL's operations are working capital intensive, as reflected in the high gross current assets (GCA) days of 338 days as on March 31, 2016 as compared to 133 days as on March 31, 2015. Further, the working capital cycle stretched to 232 days as on March 31, 2016, due to elongated receivable of 194

days. The cash credit facility has been fully utilised.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of VEIPL.

Outlook: Stable

SMERA believes that the outlook on VEIPL's facilities will remain 'Stable' over the medium term on account of the experienced management. The outlook may be revised to 'Positive' if the company registers substantial growth in revenue, while maintaining profitability and improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of further decline in revenue and profitability or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

For FY2015-16, VEIPL reported profit after tax (PAT) of Rs.0.18 cr on operating income of Rs.9.02 cr as compared to PAT of Rs.0.55 cr on operating income of Rs.13.76 cr in the previous year. The net worth stood at Rs.2.03 cr as on March 31, 2016 compared to Rs.1.86 cr in the previous year.

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>
- Complexity Level Of Financial Instruments - <https://www.smera.in/criteria-complexity-levels.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*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	6.00	SMERA B+ / Stable

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ABOUT SMERA

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