

Press Release

Vasco Environmental India Private Limited

27 April, 2018

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the 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 (VEIL). The outlook is '**Stable**'.

VEIL, incorporated in 1997, is a Kerala-based company engaged in civil construction. The company led by promoters Mr. Vishwanathan Vasu Arangath and Mr. Manthrayil Krishna Menonvasu undertakes construction, erection, testing, commissioning of water and sewage treatment plants.

Key Rating Drivers

Strengths

Established track record and experienced management

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

Average financial riskprofile

The financial risk profile is average marked by net worth of Rs.2.09 crore in FY2017 as compared to Rs.2.03 crore in FY2016. The company has high gearing of 4.37 times in FY2017 and 3.31 times in FY2016. The Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR) stood at 1.42 times and 1.04 times for FY2017.

Weaknesses

Small scale of operations

The scale of operations is small marked by operating income of Rs.7.58, a decline from Rs.9.02 crore in FY2016 and Rs.13.76 crore for FY2015. The company registered revenue of Rs.11.27 crore for FY2018 (Provisional) and has orders of Rs.30.00 crore as on 31 March, 2018.

Working capital intensive operations

The operations are working capital intensive as reflected in the high Gross Current Assets (GCA) days of 572 in FY2017 compared to 338 days in FY2016 and 133 days in FY2015. Further, the working capital cycle was stretched to 375 days which increased from 232 days in FY2016, due to elongated receivables of 442 days. Further, the working capital limit of Rs.6.00 crore has been fully utilised for the past six months ended 31 March, 2018.

Tender based business

VEIL's performance is susceptible to the tender based nature of activities and intense competition among players bidding for government tenders. However, the company plans to start catering to private players in the coming years.

Analytical Approach

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

Outlook: Stable

SMERA believes that VEIPL will continue to maintain a 'Stable' outlook over the medium term from its established presence in the industry and extensive experience of the promoters. The outlook may be revised to 'Positive' if the scale of operations increases substantially while maintaining operating profitability and improving its coverage indicators. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability or if the financial risk profile deteriorates owing to higher-than-expected increase in debt.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	7.58	9.02	13.76
EBITDA	Rs. Cr.	1.23	1.39	1.76
PAT	Rs. Cr.	0.06	0.18	0.55
EBITDA Margin	(%)	16.17	15.41	12.77
PAT Margin	(%)	0.76	1.96	4.00
ROCE	(%)	9.57	14.45	48.15
Total Debt/Tangible Net Worth	Times	4.37	3.31	2.15
PBDIT/Interest	Times	1.42	1.96	3.16
Total Debt/PBDIT	Times	7.44	4.84	2.27
Gross Current Assets (Days)	Days	572	338	133

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
27-Mar-2017	Cash Credit	Long Term	6.00	SMERA B+ / 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	6.00	SMERA B+ / Stable (Reaffirmed)

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