

Press Release

Kapston Facilities Management Private Limited

April 07, 2017

Rating Assigned

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

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB+**' (read as **SMERA BB plus**) on the Rs. 6.00 crore bank facilities of Kapston Facilities Management Private Limited. The outlook is '**Stable**'.

Kapston Facilities Management Private Limited (KFMPL), incorporated in 2009 provides security and housekeeping services to government and private sector companies. The company, led by Mr. K. Srikanth and Mr. P. Radha Krishna, Directors, has partnered with National Skill Development Corporation (NSDC) to conduct training and development programmes. The company has five regional offices spread across Telangana, Andhra Pradesh and Orissa with the registered office located at Hyderabad.

Key Rating Drivers

Strengths

- **Experienced management**

Mr. K. Srikanth, Director, possesses experience of around 15 years in facility management.

- **Moderate financial risk profile**

The financial risk profile of the company is marked by moderate gearing of 1.51 times in FY2015-16 as against 0.50 times in FY2014-15. The net profit margin stood comfortable at 3.56 per cent in FY2015-16 as against 3.80 per cent a year earlier. The interest coverage ratio stood healthy at 5.27 times in FY2015-16 as against 14.08 times in FY2014-15.

- **Reputed clientele**

The company has a reputed client base including HBL Power Systems Limited, Wipro Limited, Bharati Cement among others.

Weaknesses

- **Moderate scale of operations**

The operations of the company are modest marked by operating income of Rs.69.99 cr in FY2015-16 as against Rs.57.36 cr a year earlier. The operating profit margin decreased to 0.86 per cent in FY2015-16 as against 4.10 per cent a year earlier.

- **Intense competition**

The company operates in a competitive and fragmented industry with several organised and unorganised players.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Kapston Facilities Management Private Limited.

Outlook: Stable

SMERA believes that KFMPL will maintain a stable outlook in the medium term and continue to benefit from its experienced management. The outlook may be revised to 'Positive' if its scale of operations increases substantially while also maintaining operating profitability. Conversely, the outlook may be revised to 'Negative' owing to higher-than-expected increase in debt-funded capex or working capital requirements.

About the Rated Entity - Key Financials

In FY2015-16, the company reported profit after tax (PAT) of Rs.2.49 cr on operating income of Rs.74.66 cr against PAT of Rs.2.18 cr on operating income of Rs.58.88 cr in the previous year. The Net worth stood at Rs.7.52 cr in FY2015-16 against Rs.4.50 cr in FY2014-15.

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>
- Entities In Services Sector - <https://www.smera.in/criteria-services.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.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 BB+ / Stable

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in Shashank Shukla Rating Analyst Tel: 011-49731302 shashank.shukla@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 varsha.bist@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks

in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: *A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.*
