

Press Release

Vrindavan Engineers And Contractors (India) Private Limited

October 31, 2018

Rating Reaffirmed



| | |
|-------------------------------------|------------------------------|
| Total Bank Facilities Rated* | Rs. 7.00 Cr. |
| Long Term Rating | ACUITE BB- / Outlook: Stable |
| Short Term Rating | ACUITE A4+ |

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB-**' (read as **ACUITE BB minus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 7.00 crore bank facilities of Vrindavan Engineers And Contractors (India) Private Limited (VECPL). The outlook is '**Stable**'.

Vrindavan Engineers & Contractors (India) Private Limited (VECPL) incorporated in 2004 is a Goa-based private limited company promoted by Mr. Shridharan Nair and his family, is registered as a Class 1A contractor with public works department and undertakes road construction contracts in Goa and Kerala.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of VECPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Long track record of operations**

VECPL, incorporated in 2004, engaged in civil construction of roads for several government organisations in Goa and Kerala and registered as Class A1 Contractor. The company has more than 12 years of operational track record. The promoter Mr. Shridharan Nair has more than a decade of experience in the same line of business.

- **Moderate financial risk profile**

VECPL has moderate financial risk profile as marked by net worth of Rs.5.21 crore in FY2018 (Provisional) as compared to Rs.4.45 crore in FY2017. Gearing of the company (debt/equity) is 0.14 times in FY2018 (Provisional) as compared to 0.24 times in FY2017. Total debt of the company as on year ending FY2018 (Provisional) is Rs.0.71 crore which is in the form of term loan. Interest coverage stood at 6.43 times in FY2018 (Provisional) as against 3.86 in the previous year. Debt service coverage ratio (DSCR) is comfortable at 4.89 times in FY2018 (Provisional) against 2.44 times in the FY2017.

Weaknesses

- **Small scale of operations**

VECPL has small scale of operations as marked by operating income of Rs.20.08 in FY2018 (Provisional) as compared to Rs.20.48 crore in FY2017. The company has achieved turnover of Rs.12.98 crore till August. The company is expected to achieve revenue of Rs.30.00 crore.

- **Highly competitive and fragmented industry, tender based industry**

VECPL is exposed to intense competition in the industry from large number of players. VECPL depends on government contracts for generating revenue. The nature of business is tender based. Any changes in government policies may impact the work flow of the company.

Outlook: Stable

ACUITE believes that VECPL will continue to maintain a 'stable' outlook in the medium term owing to the promoter's extensive industry experience and moderate operational track record. The outlook may be revised to 'Positive' if the company registers substantial growth in revenues while maintaining healthy profit margins. Conversely, the outlook may be revised to 'Negative' in case the company registers lower than expected growth in revenues and profit margins or deterioration in financial risk profile.

About the Rated Entity - Key Financials

| | Unit | FY18 (Provisional) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|--------------------|---------------|---------------|
| Operating Income | Rs. Cr. | 20.08 | 20.48 | 7.34 |
| EBITDA | Rs. Cr. | 1.57 | 1.86 | 1.07 |
| PAT | Rs. Cr. | 0.80 | 0.87 | 0.34 |
| EBITDA Margin | (%) | 7.82 | 9.07 | 14.51 |
| PAT Margin | (%) | 3.99 | 4.26 | 4.64 |
| ROCE | (%) | 25.91 | 29.53 | 15.63 |
| Total Debt/Tangible Net Worth | Times | 0.14 | 0.24 | 1.22 |
| PBDIT/Interest | Times | 6.43 | 3.86 | 2.43 |
| Total Debt/PBDIT | Times | 0.41 | 0.54 | 3.21 |
| Gross Current Assets (Days) | Days | 129 | 113 | 430 |

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

None.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.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.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|------------|------------------|---------------------|
| 05-Oct-2017 | Cash Credit | Long Term | INR 3.5 | ACUITE BB- / Stable |
| | Bank Guarantee | Short Term | INR 3 | ACUITE A4+ |
| | Proposed Long Term Loan | Long Term | INR 0.5 | ACUITE BB- / Stable |

*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 | 3.50 | ACUITE BB- / Stable |
| Bank guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 3.50 | ACUITE A4+ |

Contacts

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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