

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.smerra.in/criteria-fin-ratios.htm>
- Infrastructure Entities - <https://www.smerra.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:

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