

Press Release

VICHITRA PRESTRESSED CONCRETE UDYOG PRIVATE LIMITED

December 18, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 41.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 41.00 crore bank facilities of Vichitra Prestressed Concrete Udyog Private Limited (VPCUPL). The outlook is '**Stable**'.

VPCUPL was established in 1989 by Mr. RN Aggarwal. The company undertakes turnkey projects related to water and sewage management for the government and manufactures RC pipes. The registered office is located at New Delhi.

Key Rating Drivers

Strengths

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

The company was established in 1989 by Mr. RN Aggarwal who has experience of more than three decades in the construction and infrastructure industry.

- **Financial riskprofile**

The financial risk profile of VPCUPL is moderate marked by net worth of Rs.13.98 crore in FY2017 as against Rs.13.09 crore in FY2016. The surge is mainly on account of retention of profits. The gearing of the company stood comfortable at 0.57x times in FY2017 compared to 0.72x times in FY2016, mainly on account of decrease in short term bank borrowings. The Interest coverage ratio (ICR) has been comfortable at 3.09x times and Debt Service Coverage Ratio (DSCR) at 2.49x times in FY2017. The net cash accruals to total debt (NCA/TD) stood moderate at 0.15x times in FY2017 compared to 0.09x times in FY2016.

Weaknesses

- **Debt funded capex plan**

The company is in the process of setting up a manufacturing facility for RC and DWC pipes at a project cost of Rs.18.90 crore. The funding is expected to be in the D/E proportion of 0.47:1. While the company is yet to apply for a loan for the project, the land for the facility has already been acquired at Rewari, Rajasthan at a cost of Rs.10.50 crore. The project is at a nascent stage and is expected to be completed by Q1FY2018.

- **Working capital intensive operations**

The operations are working capital intensive, marked by high Gross Current Asset (GCA) days of 335 in FY2017 as against 329 days in FY2016. The increase is mainly on account of high debtor and inventory days of 96 and 156 respectively in FY2017 as against 108 and 203 days in FY2016.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of VPCUPL.

Outlook: Stable

SMERA believes that VPCUPL will maintain a stable outlook in the medium term on account of its experienced management and average financial risk profile. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins and improvement in capital structure. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenue and profitability, or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	23.28	18.82	11.00
EBITDA	Rs. Cr.	2.42	1.93	1.61
PAT	Rs. Cr.	0.93	0.52	0.55
EBITDA Margin	(%)	10.40	10.27	14.63
PAT Margin	(%)	3.99	2.76	4.97
ROCE	(%)	10.10	7.99	7.26
Total Debt/Tangible Net Worth	Times	0.57	0.72	0.76
PBDIT/Interest	Times	3.09	2.06	2.16
Total Debt/PBDIT	Times	3.27	4.90	5.93
Gross Current Assets (Days)	Days	335	329	489

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

ICRA Ratings in its press release dated February 06, 2017 inter alia has stated the following: As part of its process and in accordance with its rating agreement with VCPL, ICRA has been trying to seek information from the company so as to undertake a surveillance of the ratings, but despite repeated requests by ICRA, the company's management has remained non-cooperative. In the absence of requisite information, ICRA's Rating Committee has taken a rating view based on best available information. In line with SEBI's Circular No. SEBI/HO/MIRSD4/CIR/2016/119, dated November 01, 2016, the company's rating is now denoted as: "[ICRA] D ISSUER NOT COOPERATING".

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	25.00	SMERA A4+

Contacts

Analytical	Rating Desk
<p>Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in</p> <p>Abhishek Dey Executive Analyst - Rating Operations Tel: +91 33 6620 1208 abhishek.dey@smera.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in</p>

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.