

Press Release

VBE PROJECTS PRIVATE LIMITED

07 March, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (**read as SMERA B**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 8.00 crore bank facilities of VBE PROJECTS PRIVATE LIMITED. The outlook is '**Stable**'.

VBE Projects Private Limited (VBE) is a private limited entity incorporated in the year 2011 by Mr. Chakkingal Aniyath Ragunandan, Mr. Venkat Bhagavat Eswaran and Mr. Prabhu Krishnamachari. Previously, the company was operating as a partnership firm, under the name of Vikas Builders and Erectors. The company is mainly engaged in undertaking sub contacting works for government and private players. The company undertakes variety of works which includes jobs like piping, piling, heavy civil works, structural fabrication and erection for segments like industrial buildings, water and waste water plants, ETP, STPs, Steel Plants etc.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters of the company are having a long experience in the same line of business. One of the director Mr. C. Ragunandan has previous work experience with Larsen and Toubro Limited and M/s Arinco, a joint venture between G E Pearsons, UK and Belleli, Italy. Mr. Venkat Bhagavath Eswaran has worked with Tamil Nadu Water Investment Company Limited and Larsen and Toubro Limited before VBE.

- **Healthy EBITDA and PAT margins**

The company is having healthy profitability margins marked by EBITDA margins of 8.22 percent in FY2017 as against 7.63 percent in FY2016. The PAT margins stood at 2.73 percent in FY2017 as against 2.04 percent in the previous year.

Weaknesses

- **Working capital intensive nature of operations**

The company is having working capital intensive nature of operations marked by gross current asset (GCA) days of 207 days on 31st March 2017 as against 302 days in the previous year. The reason for the same is due to inventory days of 76 days in FY2017 as against 117 days in the previous year. Further, the debtor days stood at 99 days as on 31st March 2017 as against 141 days in the previous year.

- **Average financial risk profile**

The company is having average financial risk profile marked by low networth, high gearing and average debt protection measures. The networth of the company stood at Rs.0.85 crore as on 31st March 2017 as against Rs.0.59 crore in the previous year. Further, SMERA has considered unsecured loans of Rs.0.37 crore as quasi equity as the company has undertaken to maintain the same in the business over the medium term. Gearing stood high at 2.72 times as on 31st March 2017 as against 3.32 times in the previous year. The total debt of Rs.2.30 crore consists of short term debt of Rs.2.30 crore as against Rs.1.95 crore in the previous

year. The interest coverage ratio stood at 1.72 times in FY2017 as against 1.36 times in the previous year. NCA/TD stood at 0.11 times in FY2017 as against 0.07 times in the previous year.

• Small scale of operations

The company is having small scale of operations marked by Rs.9.13 crore as on 31st march 2017 as against Rs.6.23 crore in the previous year. What about current year revenues""

Analytical Approach

SMERA has considered standalone financials of the company

Outlook: Stable

SMERA believes VBE Projects Private Limited will maintain a stable business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the firm registers substantial growth in revenues while improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve the expected growth in revenues due to delays in execution of orders which lead to deterioration in profitability and financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	9.13	6.23	4.01
EBITDA	Rs. Cr.	0.75	0.48	0.36
PAT	Rs. Cr.	0.25	0.13	0.06
EBITDA Margin	(%)	8.22	7.63	8.96
PAT Margin	(%)	2.73	2.04	1.40
ROCE	(%)	27.29	19.72	29.84
Total Debt/Tangible Net Worth	Times	2.72	3.32	4.32
PBDIT/Interest	Times	1.72	1.36	1.28
Total Debt/PBDIT	Times	3.00	3.99	5.28
Gross Current Assets (Days)	Days	207	302	354

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

Not applicable

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)

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	4.00	SMERA B / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A4

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ABOUT SMERA

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