

Press Release

Vandematram Projects Private Limited

20 July, 2017

Rating Assigned



Total Instruments Rated*	Rs.20.50 Cr
Short Term Rating	SMERA A4+

#Refer Annexure for details

Rating Rationale

SMERA has assigned short term rating of '**SMERA A4+** (read as SMERA A four plus) on the Rs. 20.50 crore bank facilities of Vandematram Projects Private Limited. The outlook is '**Stable**'.

Vandematram Projects Private Limited (VPPL) incorporated in 2006, is an Ahmedabad-based company promoted by Mr. Arvind Limbani, Mr. N. R. Patel and Mr. H. C. Patel. The company is engaged in civil construction work for residential projects and caters to the government under the Pradhan Mantri Awas Yojana in Gujarat.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

VPPL has operational track record of more than a decade in the civil construction industry. Further, the promoters Mr. Arvind Limbani, Mr. Narsinhbhai Patel and Mr. Hasmukhbhai Patel have around two decades of experience in the industry.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by TOL/TNW of 0.95 times in FY2017 (Provisional) as against 1.12 times in FY2016. The networth stood at Rs. 9.46 crore in FY2017 (Provisional) as against Rs.7.32 crore in FY2016. The RoCE stood at 29.55 per cent in FY2017 (Provisional) as against 22.44 per cent in FY2016. The Net Cash Accruals stood at Rs. 2.13 crore in FY2017 (Provisional) as against Rs.0.83 crore in the previous year. The company does not have any external borrowings.

- **Healthy order book position**

The company has unexecuted order book position of Rs.197.36 crore as on 23 June, 2017 and the same is expected to be executed over the next 48 months. Thus, the healthy order book position provides revenue visibility for the medium term.

Weaknesses

- **Uneven revenue trend due to the tender based operations**

The company exhibits an uneven trend in operating income due to its tender based nature of operations. The operating income stood at Rs. 21.30 crore in FY2016 as against Rs.22.63 crore in FY2015. Further, the company reported Rs.29.37 crore in FY2017. The tender-based operations make it vulnerable to order cyclicity.

- **Geographical concentration risk**

Since the company only executes projects in Gujarat, it is exposed to geographic concentration risk.

- **Working capital intensive operations and stretched liquidity**

The operations are working capital intensive evident from the high gross current assets days of 230 in FY2016. This is on account of high receivable days of 94 days and inventory days of 39 for FY2016.

- **Intense competition from large established players**

VPPL is exposed to intense competition from organised and unorganised players in the industry.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

About the Rated Entity - Key Financials

For FY2016-17, VPPL reported profit after tax (PAT) of Rs. 2.13 crore (Provisional) on operating income of Rs. 29.37 crore (Provisional) as against PAT of Rs. 0.74 crore on operating income of Rs.21.30 crore in the previous year. The net worth stood at Rs.9.46 crore as on 31 March, 2017 as against Rs. 7.32 crore in the previous year.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smerra.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.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
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	20.50	SMERA A4+

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