

November 14, 2013

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	3.00	SMERA B+/Stable (Assigned)
Bank Guarantee	8.00	SMERA A4 (Assigned)

SMERA has assigned a rating of '**SMERA B+** (read as **SMERA B Plus**)' to the Rs.3.00 crore long-term bank facilities and '**SMERA A4**' (read as **SMERA A Four**) to the Rs.8.00 crore short-term bank facilities of Vasu Enterprises (Vasu). The outlook is **stable**. The ratings are constrained by the firm's small scale of operations, customer concentration risk and geographical concentration risk. However, the ratings are supported by the firm's healthy order book position, strong debt protection metrics and experienced management.

Vasu, established in 2000, is a West Bengal-based partnership firm engaged in undertaking contracts for construction of state and national highways. Vasu has a small scale of operations with revenues of Rs.45.62 crore in FY2012-13 (refers to financial year, April 01 to March 31). Moreover, the firm is exposed to customer concentration risk as it executes contracts only for the State Government of West Bengal and the National Highway Authority of India Limited. Further, Vasu executes projects only in the state of West Bengal, which exposes the firm to geographical concentration risk.

Currently, the firm has a healthy order book of about Rs.93.00 crore, which is likely to be executed by December'2014. Vasu has strong debt protection metrics with leverage at 0.09 times as on March 3, 2013 and interest coverage ratio of 6.13 times in FY2012-2013. The firm is likely to benefit from its experienced management. Mr. Dilip Chaglani, Managing Partner of Vasu, has almost two decades of experience in the business of undertaking road construction contracts.

Outlook: Stable

SMERA believes the outlook on Vasu's rated facilities will remain stable in the near term on the back of the firm's healthy business prospects supported by a strong order book position. The outlook may be revised to 'Negative' in case of delays in project execution or in case the firm registers lower-than-expected profitability. Conversely, the outlook may be revised to 'Positive' in case the firm generates larger-than-expected cash flows with successful sourcing and execution of large projects.

About the firm

Vasu, established in 2000, is a West Bengal-based partnership firm engaged in undertaking contracts for construction of state and national highways. Vasu is promoted by Mr. Dilip Chaglani, Ms. Chayya Chaglani and Mr. Sohan Lal Khetry. Mr. Dilip Chaglani has about two decades of experience and Mr. Sohan Lal Khetry has about ten years of experience in executing road construction contracts.

Over the last five years, Vasu has successfully executed contracts worth Rs.115.00 crore in West Bengal. The firm caters to the State Government of West Bengal and the National Highway Authority of India Limited.

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Currently, the firm is executing highway construction contracts worth Rs.93.00 crore at Bakuda, Hoogly, Paschim Meednapur and Birbhum, West Bengal.

For FY2012-13, Vasu reported profit after tax of Rs.2.48 crore on net sales of Rs.45.62 crore as compared with profit after tax of Rs.1.26 crore on net sales of Rs.18.86 crore for FY2011-12. Vasu's net worth stands at Rs.11.72 crore as on March 31, 2013.

Contact List:

Media / Business Development	Analytical Contacts	Rating Desk
Sanjay Kher Head – Sales - Corporate Ratings Corporate Ratings Tel : +91 22 6714 1193 Cell : +91 98191 36541 Email : sanjay.kher@smera.in Web: www.smera.in	Umesh Nihalani Head - Corporate Ratings, Tel: +91-22-6714 1106 Email: umesh.nihalani@smera.in	Tel: +91-22-6714 1170 Email: ratingdesk@smera.in