

December 20, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	4.50	SMERA BB-/Stable (upgraded from SMERA B+/Stable)
Bank Guarantee	8.00	SMERA A4 (Reaffirmed)
Proposed Cash Credit	2.50	SMERA BB-/Stable (Assigned)

SMERA has upgraded the long-term rating on the Rs.4.50 crore bank facility of Vasu Enterprises (Vasu) to '**SMERA BB-/Stable**' from '**SMERA B+/Stable**'. The short-term rating is reaffirmed at '**SMERA A4**'. SMERA has also assigned a rating of '**SMERA BB-**' on the Rs.2.50 crore proposed long-term bank facility of Vasu. The outlook is '**Stable**'. The upgrade reflects improvement in the firm's financial risk profile. The ratings remain constrained by the firm's exposure to customer concentration and geographical concentration risks arising from complete dependence on orders floated by government entities in West Bengal. The ratings also note that the firm operates in a highly competitive segment of the civil construction industry. However, the ratings are supported by the firm's strong financial profile, healthy order book position and experienced management.

Updates:

Vasu's net profit margin increased to 5.86 per cent in FY2013-14 (refers to financial year, April 01 to March 31) from 5.43 per cent in FY2012-13. The firm's interest coverage ratio improved to 6.85 times in FY2013-14 from 6.13 times in FY2012-13. Vasu's debt service coverage ratio (DSCR) stood at 5.08 times in FY2013-14, as compared with 4.87 times a year earlier. The firm's gearing (debt-to-capital ratio) is low at 0.50 times as on March 31, 2014.

Vasu has a healthy order book position marked by pending orders of ~Rs.91.30 crore which are likely to be executed over the next two years.

Outlook: Stable

SMERA believes Vasu will maintain a stable business risk profile over the medium term. The firm has healthy business prospects supported by a strong order book position. The outlook may be revised to 'Negative' in case of deterioration in the firm's financial profile on account of delays in execution of projects or collection of dues from customers. The outlook may be revised to 'Positive' in case the firm successfully executes large projects while achieving efficient working capital management.

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About the firm

Vasu, established in 2000, is a West Bengal-based partnership firm promoted by Mr. Dilip Chaglani, Ms. Chayya Chaglani and Mr. Sohan Lal Khettry. Vasu undertakes civil engineering contracts and construction of highways. The firm caters to the State Government of West Bengal and the National Highway Authority of India Limited (NHAI). Currently, Vasu is undertaking contracts of Rs.91.30 crore in Bakuda, Hoogly, Paschim Medinipur and Birbhum (West Bengal).

For FY2013-14, Vasu reported profit after tax of Rs.2.90 crore on net sales of Rs.49.39 crore, as compared with profit after tax of Rs.2.48 crore on net sales of Rs.45.62 crore in FY2012-13. Vasu's net worth stood at Rs.14.60 crore as on March 31, 2014, as compared with Rs.11.72 crore a year earlier.

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