

AUGUST 04, 2016

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF VASISHTA CONSTRUCTIONS PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	29.49 (reduced from 29.50)	CARE BBB- (Triple B Minus)	Revised from CARE BB (Double B)
Long term/ Short term Bank Facilities	130.00	CARE BBB-/CARE A3 (Triple B Minus/A Three)	Revised from CARE BB/CARE A4 (Double B/A Four)
Long term Bank Facilities- Working Capital Demand Loan**	-	-	Withdrawn
Total Facilities	159.49 (Rupees One Hundred Fifty Nine crore and Forty Nine lakh only)		

**CARE has withdrawn the rating assigned to the long term bank facilities –working capital demand loan with immediate effect, as the company has fully repaid the amounts under the said facility and there is no amount outstanding against the same as on date.

Rating Rationale

The revision in the ratings of Vasishta Constructions Pvt Ltd (VCPL) takes into account improved financial performance during FY16 (refers to the period April 1 to March 31) marked by growth in total operating income, profit levels and the profitability margins at the back of execution of high-value projects in hand, healthy growth in order book, significant improvement in the liquidity profile on account of improved collection period, improved capital structure with reduced reliance on mobilization advance. The ratings continue to derive strength from experienced promoters, moderate order book size with majority of projects funded by government authorities and moderate industry outlook. The ratings are, however, constrained by concentrated order book position and medium scale of operation. The ability of the company to ensure timely execution of projects with recovery of contract proceeds in a timely manner and improve liquidity profile with effective management of working capital are the key rating sensitivities.

Background

Incorporated in October 1991, VCPL is engaged in construction activities spanning irrigation & flood control, roads & bridges, building & structures, etc.

VCPL is promoted by Mr M Naga Raju, Mr M Sivarama Raju, Mr M S Subba Raju and Mr Chaitanya. The promoters have around 25-30 years of experience in executing civil contracts for government entities and private players in the aforesaid segments.

During FY16, VCPL achieved PAT of Rs.13.28 crore (against adjusted PAT of Rs.16.62 crore in FY15) on a total operating income of Rs.281.67 crore (against total operating income of Rs.269.63 crore in FY15).

As per the unaudited results of Q1FY17, VCPL has achieved PAT of Rs.4.21 crore (Rs.3.74 crore in Q1FY16) on a total operating income of Rs.72.49 crore (Rs.73.15 crore in Q1FY16).

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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