

JANUARY 09, 2015

CARE REAFFIRMS THE RATINGS ASSIGNED TO BANK FACILITIES OF VASISHTA CONSTRUCTIONS PVT LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	56.00	CARE B+ (Single B Plus)	Reaffirmed
Long term/Short term Bank Facilities	162.50	CARE B+/CARE A4 (Single B Plus/A Four)	Reaffirmed
Total Facilities	218.50		

Rating Rationale

The ratings of Vasishta Constructions Pvt. Ltd. (VCPL) continue to remain constrained by the stretched liquidity position with persistent high utilization of bank borrowings, concentrated order book position and, limited experience in executing the projects of relatively large size. Furthermore, it takes into consideration decline in the scale of operation, drop in PBILDT & PAT level and margins in FY14 (refers to the period April 01 to March 31). The ratings are, however, underpinned by the experience of the promoters, satisfactory order book position, improved capital structure and moderate industry outlook. The ability of the company to manage growth and ensure timely execution of projects and recovery of contract proceeds in timely manner and improve the liquidity profile with effective management of working capital requirements 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. As on November 01, 2014, the company had an order book of Rs.930.38 crore, of which four key projects comprised approximately 62% of the total works in hand.

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

During FY14, VCPL reported a total operating income of Rs.213.53 crore (Rs.261.08 crore in FY13) with PBILDT of Rs.28.77 crore (Rs.36.22 crore in FY13) and PAT of Rs.8.22 crore (Rs.12.22 crore in FY13).

In H1FY15 (half year ended September 30, 2014), as per the unaudited results, the company has achieved a total operating income of Rs.118.84 crore with PBILDT of Rs.14.85 crore and PAT of Rs.4.91 crore.

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

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

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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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