

Vallabh Corporation

January 20, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating action
Long-term Bank Facilities	3.25	CARE B+; Stable [Single B Plus; Outlook: Stable]	Assigned
Short-term Bank Facilities	3.50	CARE A4 [A Four]	Assigned
Total	6.75 (Rupees Six crore and Seventy Five lakh only)		

Details of instruments/facilities in Annexure -1

Detailed Rationale

The ratings assigned to the bank facilities of Vallabh Corporation (VCO) is constrained on account of its small scale of operations, low profitability coupled with geographical concentration risk and presence into the competitive construction industry having low entry barriers and tender driven nature of business. The ratings also remained constrained due to its leveraged capital structure, weak debt protection metrics and moderate liquidity position during FY16 (refers to the period April1 to March 31).

The ratings, however, derive benefits from the experience of the promoters in the construction industry.

VCO's ability to increase its scale of operations by executing more orders, geographical diversification and improving its profitability, solvency position and debt protection metrics would be the key rating sensitivities.

Detailed description of the key rating drivers for SIL

VCO's scale of operations stood small marked by its total operating income (TOI) of Rs.16.63 crore during FY16 and net worth base of Rs.1.40 crore as on March 31, 2016. Furthermore, overall profitability stood low marked by PAT of Rs.0.31 crore and cash accruals of Rs.0.34 crore during FY16. VCO primarily executes orders primarily from Gujarat location thereby leading to geographical concentration risk as well as facing stiff competition from other local players in a tender driven nature of business.

On the back of small net worth base and comparatively high debt level, capital structure stood leveraged as marked by an overall gearing ratio at 2.77 times as on March 31, 2016. Consequently, with low cash accruals level total debt to GCA stood weak.

On account of high credit period received from its suppliers, operating cycle of VCO stood negative during FY16 while average utilization of its working capital limits stood at 60% for trailing 12 month period ended November 2016.

VCO is registered 'Class AA' (on a scale of "AA to E2", AA being the highest grade) contractor with Government of Gujarat for civil and road construction work. Mr Dineshbhai Valjibhai Patel, the key partner, holds experience of around three decades in the construction industry and looks after overall operations of the firm. He is also supported by Mr Jigar Patel and Mr Kaviraj Patel who are also well versed with the construction business.

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology - Manufacturing Companies](#)

[Financial ratios- Non Financial Sector](#)

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

About the Company

Established in 1986 as proprietorship firm, Ahmedabad-based (Gujarat) VCO is promoted by Mr Dineshbhai Patel and executes civil construction contracts largely for the departments of the Government of Gujarat. Later in April 2015, VCO was converted into partnership firm with addition of Mrs Sunita Patel, Mr Kaviraj Patel and Mr Jiger Patel. VCO is registered as 'Class AA' contractor with Government of Gujarat for civil and road construction work along with interior designing and electrification work. Most of the contracts pertain to road construction, development of parking areas of government authorities, warehouse up gradation and any repair or renovation work.

During FY16 (A), VCO reported PAT of Rs.0.31 crore on a TOI of Rs.16.63 crore as against PAT of Rs.0.33 crore on a TOI of Rs.15.95 crore during FY15. Till November 30, 2016, VCO has achieved a turnover of Rs.11 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Annexure 1: Details of Instruments/Facilities:

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	3.25	CARE B+; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	3.50	CARE A4

Annexure 2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT-Cash Credit	LT	3.25	CARE B+; Stable	-	-	-	-
2.	Non-fund-based - ST-Bank Guarantees	ST	3.50	CARE A4	-	-	-	-

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CIN - L67190MH1993PLC071691