

January 8, 2013

**CARE REAFFIRMS RATINGS ASSIGNED TO BANK FACILITIES OF
VASISHTA CONSTRUCTIONS P. LTD.****Ratings**

Facilities	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	56 (enhanced from 10)	CARE B+ (Single B Plus)	Re-affirmed
Long/Short-term Bank Facilities	162.50 (enhanced from 77.50)	CARE B+/CARE A4 (Single B Plus/A Four)	Re-affirmed
Total Facilities	218.50		

Rating Rationale

The ratings continue to remain constrained by the stretched liquidity position with an un-bridged working capital gap leading to a persistent high utilization of bank borrowings, concentration of order-book on four key projects, extended payment to the creditors and limited experience in executing the projects of a relatively large size. The ratings, however, take into account the experience of the promoters, moderate order book position, increase in the scale of operations and a moderate capital structure with marginal weakening of the gearing ratio. The ability of the company to manage the growth with an adequate arrangement for the working capital requirements and ensure timely execution of the projects without stretching the liquidity profile are the key rating sensitivities.

Background

Vasishta Constructions P Ltd (VCPL), incorporated in October 1991, is engaged in the construction activities spanning irrigation and flood control, roads and bridges, building and structures, etc. As on September 30, 2012, the company had an order book of Rs.943.3 crore of which four key projects comprised 77% of the total works on hand.

VCPL was 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.

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



Press Release

During FY12 (refers to the period April 01 to March 31), VCPL posted the PBILDT of Rs.29.8 crore (FY11- Rs.20.7 crore) and a PAT (after deferred tax) of Rs.11.4 crore (FY11 – 9.7 crore) on a total income of Rs.245.8 crore (FY11 - Rs.210.5 crore).

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