

August 17, 2011

**CARE ASSIGNS 'CARE B+' AND 'CARE A4' RATINGS TO THE BANK FACILITIES OF VASISHTA CONSTRUCTIONS P. LTD.**

**Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long term Bank Facilities	10.00	CARE B+ (Single B Plus)	Assigned
Long/Short term Bank Facilities	77.50	CARE B+ / CARE A4 (A Four)	Assigned
<b>Total Facilities</b>	<b>87.50</b>		

**Rating Rationale**

The ratings are constrained by the relatively strained liquidity position of VCPL indicated by persistent full utilization of fund based lines with instances of over drawls, concentration of order-book in three key projects, relatively lower asset base and limited experience in executing projects of relatively large size which are currently on hand. The ratings, however, take into account the experience of the promoters, track record of project execution, growth in operations, moderate order book size, moderate capital structure and growth prospects in the construction sector. Ability of the company to execute key contracts within specified timelines and ability to manage growth in operations along with improvement in its liquidity position are the key rating sensitivities.

**Background**

Vasishta Constructions P. Ltd. (VCPL) was incorporated in October 1991 by Mr.M Naga Raju, Mr.M Sivarama Raju, Mr.M.S.Subba Raju and Mr.M Krishna Chaitanya. VCPL is mainly engaged in construction activities spanning irrigation & flood control, roads & bridges, building & structures, railways and power sectors. VCPL has a moderate order book position of Rs.879 crore as on May 19, 2011, with a satisfactory Order-book to Sales ratio of 4.23x.

During FY11 (provisional), VCPL achieved a PAT of Rs.9.65 crore on a Total Income of Rs.207.91 crore, as against a PAT of Rs.5.29 crore on a Total Income of Rs.121.47 crore during FY10.

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<sup>1</sup>Complete definition of the ratings assigned is available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

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