

Vasishta Constructions Private Limited

December 18, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	33.20 (enhanced from Rs.29.49 crore)	CARE BBB; Stable (Triple B; Outlook: Stable)	Revised from CARE BBB- (Triple B Minus)
Long-term/Short-term Bank Facilities	145.00 (enhanced from Rs.130.00 crore)	CARE BBB; Stable/CARE A3+ (Triple B; Outlook: Stable/A Three Plus)	Revised from CARE BBB-/ CARE A3 (Triple B Minus /A Three)
Total	178.20 (Rs. One hundred and Seventy Eight crore and Twenty lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in ratings assigned to the bank facilities of Vasishta Constructions Private Limited (VCPL) takes into account improved financial performance during FY17 (refers to the period April 1 to March 31) marked by growth in total operating income, stable profit levels and the profitability margins at the back of execution of high-value projects in hand, growth in order book with majority of projects funded by government authorities, significant improvement in the liquidity profile on account of improved collection period. The ratings continue to derive strength from experienced promoters, comfortable capital structure and moderate industry outlook. The ratings are, however, constrained by concentrated order book position and intense competition in civil construction sector due to fragmented nature of the industry. 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.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters: Vasishta Constructions Private Limited (VCPL), promoted by Mr. M Naga Raju, has been operating in the infrastructure segment for about three decades with major focus on construction of roads & bridges. The promoters have over 25 years of experience the construction segment which has enabled VCPL to secure orders across various infrastructure segments in regions such as Bihar, Assam, Jharkhand, Maharashtra, Madhya Pradesh, Telangana, Uttarakhand and Andaman & Nicobar Islands.

Growth in order book providing medium term visibility: VCPL has a healthy order book position with orders in hand aggregating to Rs.895.65 crore as on November 30, 2017 (as against Rs.871.85 crore as on July 01, 2016) providing revenue visibility for medium term. The confirmed order book position of the company translates to 2.73x of the gross billing for FY17. Majority of projects are backed by several funds i.e. Central Government Fund, NABARD Fund and North-Eastern State Fund which reduces risk associated with realisation of payments.

Increased total operating income and stable profit margins during FY17: Total operating income of the company has increased over the last three financial years ended FY17. VCPL witnessed increase in total income of about 16.43% in FY17 over FY16 (from Rs.281.67 crore to Rs.327.95 crore) majorly led by increase in execution of orders in hand. In line with the same, the profit levels and profitability margins have also improved during the year. PBILDT margin improved by 37 bps (from 13.61% in FY16 to 13.98% in FY17) and PAT margin also witnessed improvement by 19 bps (from 4.85% in FY16 to 5.04% in FY17).

Comfortable capital structure and debt coverage indicators: VCPL has comfortable capital structure with debt to equity and overall gearing below unity as on March 31, 2017. Overall gearing of the company remained similar and comfortable at 0.46x as on March 31, 2017 (as compared to 0.47x as on March 31, 2016). Other debt coverage indicators; interest coverage ratio though declined marginally, continues to remain comfortable in FY17. Total debt/GCA deteriorated marginally to 2.03x in FY17 from 1.98x in FY16 due to increase in debt levels.

Improved operating cycle liquidity position: Working capital cycle days of VCPL has improved to 46 days in FY17 against 53 days in FY15 largely on account of improved collection period which improved to 28 days in FY17 as against 38 days in FY16. Average utilization of bank borrowings during last 12 months ending November 2017 has remained moderate at 71.67%.

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

Moderate industry outlook: Construction & Infrastructure sector is a key driver for the Indian economy. The sector is highly responsible for propelling India's overall development and enjoys intense focus from Government for initiating policies that would ensure time-bound creation of world class infrastructure in the country.

Key Rating Weaknesses

Concentrated order book: The work orders of the company are spread across seven states and one union territory, mainly concentrated in Andaman & Nicobar Islands (36.38%), Bihar (33.84%) and Maharashtra (14.76%).

Intense competition in civil construction sector: There are numerous fragmented & unorganized players operating in the segment which makes the civil construction space highly competitive. However, the promoters' long industry experience of more than two decades mitigates this risk to some extent.

Analytical approach: Standalone

Applicable Criteria

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

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

[Criteria for Short Term Instruments](#)

[Financial Ratios - Non-Financial Sector](#)

About the Company

Incorporated in October, 1991, Vasishta Constructions Private Limited (VCPL) is engaged in construction activities spanning irrigation & flood control, roads & bridges, building & structures, etc. VCPL was promoted by Mr. M Naga Raju, Mr. M Sivarama Raju, Mr. M. S. K. Subba Raju and Mr. M. Krishna Chaitanya. The promoters have around three decades of experience in executing civil contracts for government entities and private players in the aforesaid segments. As on November 30, 2017, VCPL had an outstanding order book of Rs.895.65 crore with top four orders comprising around 71% of the total orders in hand.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	281.67	327.95
PBILDT	38.33	45.84
PAT	13.65	16.53
Overall gearing (times)	0.47	0.46
Interest coverage (times)	3.43	3.34

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for 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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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	-	-	-	23.00	CARE BBB; Stable
Non-fund-based - LT/ ST-Bank Guarantees	-	-	-	145.00	CARE BBB; Stable / CARE A3+
Fund-based - LT-Term Loan	-	-	September 2029	10.20	CARE BBB; Stable

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	23.00	CARE BBB; Stable	-	1)CARE BBB- (04-Aug-16)	1)CARE BB (08-Jan-16) 2)CARE C (08-Oct-15) 3)CARE D (25-Aug-15)	1)CARE B+ (09-Jan-15)
2.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	145.00	CARE BBB; Stable / CARE A3+	-	1)CARE BBB- / CARE A3 (04-Aug-16)	1)CARE BB / CARE A4 (08-Jan-16) 2)CARE C / CARE A4 (08-Oct-15) 3)CARE D / CARE D (25-Aug-15)	1)CARE B+ / CARE A4 (09-Jan-15)
3.	Fund-based - LT-Working Capital Demand loan	LT	-	-	-	1)Withdrawn (04-Aug-16)	1)CARE BB (08-Jan-16) 2)CARE C (08-Oct-15) 3)CARE D (25-Aug-15)	1)CARE B+ (09-Jan-15)
4.	Fund-based - LT-Term Loan	LT	10.20	CARE BBB; Stable	-	1)CARE BBB- (04-Aug-16)	1)CARE BB (08-Jan-16) 2)CARE C (08-Oct-15) 3)CARE D (25-Aug-15)	1)CARE B+ (09-Jan-15)

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