

Rating Update

August 29, 2020 | Mumbai

VNC Infraprojects

Update as on August 29, 2020

This update is provided in continuation of the rating rational below.

The key rating sensitivity factors for the rating include:

- Revenue and profitability
- Working capital cycle
- Timely execution of order book
- Capital withdrawals

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, CRISIL seeks regular updates from companies on the business and financial performance. CRISIL is, however, awaiting adequate information from VNC Infraprojects (VNC) which will enable us to carry out the rating review. CRISIL will continue provide updates on relevant developments from time to time on this credit.

CRISIL also identifies information availability risk as a key credit factor in the rating assessment as outlined in its criteria 'Information Availability Risk in Credit Ratings'.

About the Group

MCC is a Mumbai-based proprietorship firm formed by Mr Kishore Shah in 1983. It undertakes civil construction activities on contract or sub contract basis for Municipal Corporation of Greater Mumbai (MCGM), Mumbai Metropolitan Region Development Authority (MMRDA) and Maharashtra Housing and Area Development Authority (MHADA).

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Rating Rationale

August 26, 2019 | Mumbai

VNC Infraprojects

Ratings Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.22.5 Crore
Long Term Rating	CRISIL B/Stable (Reaffirmed)
Short Term Rating	CRISIL A4 (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has reaffirmed its 'CRISIL B/Stable/CRISIL A4' ratings on the bank facilities of VNC Infraprojects (VNC).

The ratings continue to reflect large working capital requirement, below average financial risk profile and high geographical concentration in revenue. These weaknesses are partially offset by extensive industry experience of the promoters.

Analytical Approach

CRISIL has combined the business and financial risk profiles of Mahavir Construction Company ' Mumbai (MCC) and VNC. That is because both entities, together referred to as the MCC group, have common management and are in the same line of business.

Unsecured loans (outstanding at Rs 20.88 crore as on March 31, 2019) extended to the group have been treated as debt due to absence of track record of non-withdrawal of the same.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Weakness

* **Large working capital requirement:** Gross current assets were 586 days as on March 31, 2019, owing to large payables and moderate debtors of 304 days and 45 days, respectively. Further, significant amount is blocked as retention money.

* **Below average financial risk profile:** Low networth of 6.93 crore coupled with high total outside liabilities to adjusted networth (TOL/ANW) of 7.2 times as on March 31st, 2019 represent below average financial risk profile. However, debt protection metrics remain comfortable at 2.26 times in fiscal 2019.

* **High geographical concentration in revenue:** MCC has executed projects only in Maharashtra, and thus, remains vulnerable to high geographical concentration. It also remains exposed to risk from changes in policies related to civil infrastructure, and the socio-economic and political conditions in this region.

* **Extensive experience of the promoters:** The two-decade long experience of the promoters in the industry, their ability to successfully bid for, and efficiently execute, tenders, and their established relationships with reputed customers will continue to support the business risk profile. Having a proven track record also provides an additional advantage over new entrants while bidding for tenders.

Liquidity

Group has poor liquidity driven by expected cash accruals of around Rs 3.00 crore in fiscal 2020 and 2021 respectively along with estimated cash and cash equivalent of Rs 0.33 crore as on March 31, 2019. Current ratio stood at 1.49 times as on March 31, 2019. Moreover, the firm has no significant long term repayment obligations and no debt funded capex plans over the medium term. Group also has access to fund based limit of Rs 9.5 crore, which remains highly utilised on average. CRISIL expects internal accruals and cash and cash equivalent to be sufficient to meet incremental working capital requirement and its repayment obligation.

Outlook: Stable

CRISIL believes the group will continue to benefit over the medium term from the experience of the partners. The outlook may be revised to 'Positive' if scale of operations increases substantially, without impacting profitability or improvement in working capital cycle resulting in improved liquidity. Conversely, the outlook may be revised to 'Negative' if further stretch in working capital cycle or lower than expected accruals weakens liquidity.

About the Company

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Key Financial Indicators

Particulars	Unit	2019*	2018
Revenue	Rs crore	46.13	56.68
Profit after tax (PAT)	Rs crore	2.75	3.11
PAT margins	%	6.0	5.5
Adjusted debt/adjusted net-worth	Times	0.99	1.81
Interest coverage	Times	2.26	2.74

*Provisional

Any other information: Not applicable

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Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Cr)	Rating Assigned with Outlook
NA	Bank Guarantee	NA	NA	NA	3	CRISIL A4
NA	Cash Credit	NA	NA	NA	1.5	CRISIL B/Stable
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	18	CRISIL B/Stable

Annexure - List of entities consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Mahavir Construction Company - Mumbai	Full Consolidation	Common management and same line of business
VNC Infraprojects	Full Consolidation	Common management and same line of business

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2019 (History)		2018		2017		2016		Start of 2016
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	19.50	CRISIL B/Stable			29-05-18	CRISIL B/Stable			22-12-16	CRISIL B+/Stable	--
						18-04-18	CRISIL B+/Stable (Issuer Not Cooperating)*					
Non Fund-based Bank Facilities	LT/ST	3.00	CRISIL A4			29-05-18	CRISIL A4			22-12-16	CRISIL A4	--
						18-04-18	CRISIL A4 (Issuer Not Cooperating)*					

All amounts are in Rs.Cr.

*Issuer did not cooperate; based on best-available information

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	3	CRISIL A4	Bank Guarantee	3	CRISIL A4
Cash Credit	1.5	CRISIL B/Stable	Cash Credit	1.5	CRISIL B/Stable
Proposed Long Term Bank Loan Facility	18	CRISIL B/Stable	Proposed Long Term Bank Loan Facility	18	CRISIL B/Stable
Total	22.5	--	Total	22.5	--

Links to related criteria
CRISILs Approach to Financial Ratios
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings
CRISILs Criteria for Consolidation
Criteria for rating entities belonging to homogenous groups
The Rating Process
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For further information contact:

Media Relations	Analytical Contacts	Customer Service Helpdesk
<p>Saman Khan Media Relations CRISIL Limited D: +91 22 3342 3895 B: +91 22 3342 3000 saman.khan@crisil.com</p> <p>Naireen Ahmed Media Relations CRISIL Limited D: +91 22 3342 1818 B: +91 22 3342 3000 naireen.ahmed@crisil.com</p> <p>Vinay Rajani Media Relations CRISIL Limited D: +91 22 3342 1835 M: +91 91 676 42913 B: +91 22 3342 3000 vinay.rajani@ext-crisil.com</p>	<p>Rahul Guha Director - CRISIL Ratings CRISIL Limited D:+91 22 4097 8320 rahul.guha@crisil.com</p> <p>Jumana Badshah Associate Director - CRISIL Ratings CRISIL Limited D:+91 22 3342 8324 Jumana.Badshah@crisil.com</p> <p>Rohan Totlani Rating Analyst - CRISIL Ratings CRISIL Limited B:+91 22 3342 3000 Rohan.Totlani@crisil.com</p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com</p> <p>For Analytical queries: ratingsinvestordesk@crisil.com</p>

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