

Press Release

Geetu Engineering & Constructions Private Limited

August 04, 2017



Rating Reaffirmed

| | |
|-------------------------------------|-----------------------------|
| Total Bank Facilities Rated* | Rs. 10.00 Cr. |
| Long Term Rating | SMERA BB- / Outlook: Stable |
| Short Term Rating | SMERA A4+ |

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 10.00 crore bank facilities of Geetu Engineering & Constructions Private Limited. The outlook is '**Stable**'.

Geetu Engineering and Constructions Private Limited (GECPL) was incorporated in 2000 by Mr. S.K.Pal (Director). The company is engaged in the manufacturing of electrical L.T. panels and undertakes turnkey projects (supply, installation, testing and commissioning) in the fields of electricals, engineering and electronics at Noida.

Key Rating Drivers

Strengths

- **Experienced management**

The promoter, Mr. S. K. Pal has over two decades of experience in the said line of business. The company has been able to establish long-standing relations with clients owing to the the promoters' extensive industry experience.

- **Reputed client base**

GECPL has long track record of operations. The company caters to a reputed list of clients including Indian Oil Corporation, Bharat Petroleum, DLF, Rajasthan Rail Works among others.

- **Healthy financial risk profile**

The financial risk profile is moderate marked by gearing of 1.23 times as on 31 March, 2017 as against 1.09 times as on 31 March, 2016. The gearing increased marginally in FY2017 due to a term loan of Rs. 3.98 crore for purchase of machinery and land. The repayment of the same will commence from November 2017. The Interest coverage ratio stood at 2.88 times for FY2017 as compared to 2.46 times for FY2016.

Weaknesses

- **Small scale of operations**

Despite a strong financial profile, GECPL, has low top line of Rs.15.15 crore in FY2017, as compared to Rs.13.17 crore in FY2016. The small scale of operations limits its bargaining power with suppliers as well customers, thus constraining its business risk profile.

- **Tender based business**

The profit margins are susceptible to the tender based nature of business and intense competition in the industry. The company generates around 70 per cent revenue from government projects and the balance 30 per cent from turnkey projects.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that GECPL will maintain a stable outlook in the medium term owing to its established operations and long standing experience of the promoter. The outlook may be revised to 'Positive' in case of significant improvement in the scale of operations and accruals while maintaining its debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in profitability and accruals or larger than expected debt funded capex undertaken by the company.

About the Rated Entity - Key Financials

For FY2016-17 (Provisionals), GECPL reported profit after tax (PAT) of Rs. 0.59 crore on operating income of Rs.15.15 crore as compared to PAT of Rs. 0.53 crore on operating income of Rs.13.17 crore in the previous year. The net worth stood at Rs. 3.66 crore as on 31 March, 2017 against Rs. 2.55 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|--------------------------------------|------------|------------------|--------------------|
| 25-Feb-2016 | Cash Credit | Long Term | INR 2.5 | SMERA BB- / Stable |
| | Proposed Working Capital Demand Loan | Long Term | INR 3.98 | SMERA BB- / Stable |
| | Bank Guarantee/Letter of Guarantee | Short Term | INR 3.52 | SMERA A4+ |

*Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|------------------------------------|------------------|----------------|----------------|-----------------------------|--------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 2.50 | SMERA BB- / Stable |
| Bank guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 3.52 | SMERA A4+ |
| Proposed Term loans | Not | Not | Not | 3.98 | SMERA BB- / |

| | | | | | |
|--|------------|------------|------------|--|--------|
| | Applicable | Applicable | Applicable | | Stable |
|--|------------|------------|------------|--|--------|

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ABOUT SMERA

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