

Press Release

G. S. ATWAL & CO. (ENGINEERS) PRIVATE LIMITED

29 December, 2017

Rating Upgraded



Total Bank Facilities Rated*	Rs. 24.80 Cr.
Long Term Rating	SMERA B- / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has upgraded the long-term rating to '**SMERA B-**' (**read as SMERA B minus**) and reaffirmed the short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs.24.80 crore bank facilities of G S ATWAL AND CO (ENGINEERS) PRIVATE LIMITED (GS Atwal). The outlook is '**Stable**'.

GS Atwal (an erstwhile proprietorship firm) established by the Late Mr. Gurbachan Singh Atwal was incorporated as a private limited company in 1967 under the directorship of Mr. Harminder Singh Atwal. The company executes mining, construction and solar power projects in Bihar, Jharkhand, Orissa and other states. The day-to-day operations are led by Mr. Harminder Singh Atwal and Mr. Govind Singh Atwal.

Key Rating Drivers

Strengths

- **Experienced management**

Initially a proprietorship firm, GS Atwal was incorporated as a private limited company in 1967. The management has experience of more than five decades in the coal mining business. The day-to-day operations are led by Mr. Harminder Singh Atwal and Mr. Govind Singh Atwal.

- **Established market position and reputed clientele**

Over the years, GS Atwal has established relations with reputed companies including Tata Steel Limited, Steel Authority of India Ltd, Reliance Power Ltd among others.

Weaknesses

- **Declining revenues and profitability**

Revenues declined to Rs.44.70 crore in FY2015 from Rs.119.81 crore in FY2012 due to ban on mining. Revenue also declined in FY2017 to Rs.45.09 crore compared to Rs.53.64 crore in FY2016 on account of heavy monsoon in Orissa.

- **Weak financial risk profile**

The weak financial risk profile is marked by moderate net worth of Rs.8.52 crore in FY2017, an increase from Rs.7.19 crore in FY2016, mainly on account of retention of current year profit. The debt equity stood at a high of 5.34 times in FY2017, a decline from 6.32 times in FY2016 due to repayment of long term debt obligation. The Interest Coverage Ratio stood at 1.66 times in FY2017. The Net cash accruals to total debt stood comfortable at 0.05 times in FY2017. The Debt Service Coverage Ratio stood low at 0.90 times in FY2017. Going forward, the ratios are expected to improve as the company has no debt funded capex plans.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of GS Atwal.

Outlook: Stable

SMERA believes that GS Atwal will maintain a stable outlook in the medium term backed by the promoters' extensive experience and established relation with customers. The outlook may be revised to 'Positive' if the company registers more than expected revenues while improving profitability. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the expected revenues or profitability or if the working capital cycle further deteriorates.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	45.09	53.64	49.37
EBITDA	Rs. Cr.	7.38	7.70	-10.62
PAT	Rs. Cr.	-2.93	-5.79	-36.35
EBITDA Margin	(%)	16.38	14.35	-21.52
PAT Margin	(%)	-6.51	-10.79	-73.63
ROCE	(%)	8.33	-2.64	-153.07
Total Debt/Tangible Net Worth	Times	5.34	6.32	3.62
PBDIT/Interest	Times	1.66	1.95	-1.64
Total Debt/PBDIT	Times	5.05	5.21	-6.16
Gross Current Assets (Days)	Days	327	197	195

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

NA

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.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. Crore)	Ratings/Outlook
03-Aug-2016	Cash Credit	Long Term	INR 5.5	SMERA C
	Term Loan	Long Term	INR 11.3	SMERA C
	Letter of Guarantee	Short Term	INR 3	SMERA A4
	Bank Guarantee	Short Term	INR 5	SMERA A4

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.50	SMERA B- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	10.27	SMERA B- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4
Term loans	Not Applicable	Not Applicable	Not Applicable	3.03	SMERA B- / Stable

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ABOUT SMERA

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