

### Giddegowda Contractors: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	5.00	SMERA BB-/Stable (Assigned)
Cash Credit (Proposed)	1.00	SMERA BB-/Stable (Assigned)
Bank Guarantee	8.00	SMERA A4 (Assigned)
Bank Guarantee (Proposed)	2.00	SMERA A4 (Assigned)

SMERA has assigned long-term rating of **'SMERA BB-' (read as SMERA double B minus)** and short-term rating of **'SMERA A4' (read as SMERA A four)** to the Rs.16.00 crore bank facilities of Giddegowda Contractors (GGC). The outlook is **'Stable'**.

The ratings draw comfort from the experienced management, improvement in revenues and healthy order book position. The ratings also draw support from the comfortable coverage indicators. However, the ratings are constrained by the firm's high dependence on government orders and below average financial risk profile marked by low net worth and high gearing.

GGC, incorporated in 1996 is engaged as the civil contractor for underground drainage system for the Karnataka government. The firm benefits from its experienced management. Mr. Roopesh Kumar and Mr. Gidde Gowda, Partners, possess experience of around two decades in the civil construction industry. The revenue of the firm has improved to Rs.29.14 crore in FY2015-16 as against Rs.15.34 crore in FY2014-15. The firm has healthy order book of Rs.45.00 crore for underground water drainage system in Shivamogga, Karnataka. The interest coverage ratio (ICR) stood at 2.77 times and debt service coverage ratio (DSCR) at 2.24 times in FY2015-16.

However, the ratings are constrained by customer concentration risk as the firm derives its entire revenue from Karnataka Urban Water Supply and Drainage Board. The below average financial risk profile is marked by low net worth of Rs.1.38 crore and high gearing (debt to equity) of 4.53 times as on March 31, 2016.

#### Rating Sensitivity Factors

- Scaling up of operations while improving profitability
- Improvement in the capital structure

#### Outlook-Stable

SMERA believes that GGC will maintain a stable outlook in the medium term on account of its experienced management and moderate scale of operations. The outlook may be revised to 'Positive' if the firm registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins and improvement in the capital structure. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile.

## About the Firm

GGC, incorporated in 1996, is a Bangalore-based civil construction firm promoted by Mr. Roopesh Kumar and Mr. Gidde Gowda. The firm provides civil construction services for underground drainage systems for the Karnataka government.

For FY2015–16, GGC registered profit after tax (PAT) of Rs.0.92 crore on operating income of Rs.29.14 crore, as compared with PAT of Rs.0.49 crore on operating income of Rs.15.34 crore in FY2014–15. The tangible net worth stood at Rs. 1.38 crore as on March 31, 2016 as against Rs. 0.87 crore in previous years.

## Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: <a href="mailto:mohit.jain@smera.in">mohit.jain@smera.in</a>	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: <a href="mailto:suman.m@smera.in">suman.m@smera.in</a>

## ABOUT SMERA

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