

Gopal Teknocon Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	8.00	SMERA BB+/Stable (Assigned)
Bank Guarantee	10.00*	SMERA A4+ (Assigned)
Cash Credit (Proposed)	1.00	SMERA BB+/Stable (Assigned)
Bank Guarantee(Proposed)	1.00	SMERA A4+ (Assigned)

*Includes sublimit of Letter of Credit of Rs.2.00 crore.

SMERA has assigned ratings of '**SMERA BB+**' (read as SMERA double B plus) and '**SMERA A4+**' (read as SMERA A four plus) to the Rs.20.00 crore bank facilities of Gopal Teknocon Private Limited (GTPL). The outlook is '**Stable**'. The ratings are supported by the company's experienced management, reputed client base and healthy financial risk profile. However, the ratings are constrained by the modest scale of operations, highly working capital intensive business and absence of price escalation clause in the contracts.

GTPL, established as a partnership firm in 1979 and converted to private limited in 2014, is engaged in the fabrication and erection of storage tanks, pipe lines, heaters among others. The company undertakes structural and allied civil construction work primarily for oil refineries and railways. GTPL benefits from its experienced management. The promoter, Mr. Satuluri Ramanujam possesses more than four decades of experience in fabrication and heavy engineering industry. The company caters to reputed clients including Chennai Petroleum Corporation Limited, Hindustan Petroleum Corporation Limited, Bharat Heavy Electricals Limited, Indian oil Corporation Limited and Bharat Petroleum Corporation Limited. The financial risk profile is healthy marked by low gearing of 0.99 times and interest coverage ratio (ICR) of 4.27 times for FY2015-16 (refers to financial year, April 01 to March 31).

However, GTPL has modest scale of operations with operating income of Rs.31.82 crore for FY2015-16 as against Rs.30.58 crore in the previous year. The operations are largely tender based exposing the company to cyclicalities in order inflows. Besides, the operations are working capital intensive reflected in the high gross current asset days of 190 for FY2015-16. Further, the rating also factors in the absence of price escalation clause in the contracts exposing the company's profitability to volatility in raw material prices.

Rating Sensitivity Factors

- Scaling up operations while improving profitability
- Efficient working capital management

Criteria applied to arrive at the ratings:

- Manufacturing Entities

Outlook-Stable

SMERA believes GTPL's outlook will remain 'Stable' over the medium on account of the company's healthy order book position, experienced management and reputed clientele. The outlook may be revised to 'Positive' in case the company achieves higher than expected growth in revenue and profitability while managing its working capital cycle effectively. Conversely, the outlook may be revised to 'Negative' if the company's liquidity profile deteriorates or inordinate delays take place in project execution.

About the Company

The Visakhapatnam-based GTPL was incorporated in 2014 by Shri. Satuluri Ramanujam, Shri. Satuluri Navin Madhav and Shri. Satuluri Pavan Kumar. The company is engaged in the fabrication and erection of storage tanks, pipe lines, heaters, pressure valves along with allied civil construction activity primarily for oil refineries and railways.

For FY2015-16, GTPL reported profit after tax (PAT) of Rs.1.28 crore on operating income of Rs.31.82 crore, as compared with PAT of Rs.0.92 crore on operating income of Rs. 30.58 crore for FY2014-15.

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ABOUT SMERA

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