

## Press Release

**Ghai Construction Limited**

April 25, 2019



### Rating Reaffirmed

|                                     |   |
|-------------------------------------|---|
| <b>Total Bank Facilities Rated*</b> | Rs. 33.00 Cr.<br>(Enhanced from Rs.20 Cr.)    |
| <b>Long Term Rating</b>             | ACUITE BBB- / Outlook: Stable<br>(Reaffirmed) |
| <b>Short Term Rating</b>            | ACUITE A3<br>(Reaffirmed)                     |

\* Refer Annexure for details.

### Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BBB-**' (**read as ACUITE BBB minus**) and short term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the enhanced limit of Rs. 33.00 crore bank facilities of Ghai Construction Limited. The outlook is '**Stable**'.

Founded by Prakash Singh Ghai, Amerjit Singh Ghai and Gurpreet Singh Ghai, Ghai Construction Limited (GCL) was incorporated in 1995 as a public limited company - unlisted based out of Pune. GCL is a government-approved contractor enlisted as a 'Category 1' contractor with Central Public Works Department (CPWD) and Class 'A' contractor with the Public Works Department (PWD). GCL's business includes infrastructure construction like Roads, Highways, Railway Tracks and Urban Infrastructure.

### Analytical Approach

ACUITE has considered the standalone business and financial risk profile of the company to arrive at the rating.

### Key Rating Drivers

#### Strengths

- **Established track record of operation and experience management:**

GCL was incorporated in 1995 by Mr. Amarjit Singh Ghai, Gurpreet Singh Ghai, Prakash Singh Ghai. Hence has its presence in construction business for over two decades.

- **Long association with govt. agencies:**

GCL has executed projects for Pune Municipal Corporation, Mira Bhayander Municipal Corporation, Indian Railways, Talegaon dabhade Municipal Corporation etc. The counter-party default risk remains minimal since these are government entities. The company has been able to establish long-standing relationship with its client owing to extensive experience of the promoters and timely execution of the project.

- **Healthy order book position and significant growth in operating income:**

GLC has healthy order book position marked by current orders in hand of Rs. 256.00 crore out of which around Rs. 140.00 crore work is unexecuted. The revenues of GCL stood at Rs.50.49 crore in FY2019 (Provisional) (April 2018-Dec 2018) as compared to Rs. 58.92 crore in FY2018.

- **Healthy financial risk profile:**

GCL has healthy financial risk profile marked by healthy debt to equity ratio, interest coverage ratio and DSCR. Further the net worth stood moderate at Rs.19.22 crore as on 31 March, 2018 as against Rs.15.71 crore as on 31 March, 2017. The debt to equity continue to remain at healthy at 0.56 times as on 31 March, 2018 as against 0.33 times in the previous year. The total debt of Rs.10.73 crore includes short term borrowings and long term borrowings of Rs.10.18 crore and Rs.0.55 crore, respectively. Interest Coverage Ratio (ICR) stood comfortable at 5.53 times in FY2018. TOL/TNW stood at 0.96 times as on 31 March, 2018.

### Weaknesses

- **Competitive and fragmented industry:**

The Company is engaged as civil contractor. The particular sector is marked by the presence of several mid to big size players. The company faces competition from the other players in the sectors. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts. However, this risk is mitigated to an extent as management operating in this environment for last 23 years.

- **Tender based nature of business:**

The firm deals with government organizations and quotes for the contracts on tender basis. Going forward the firm's ability to successfully bid for greater number of large orders remains to be seen. However, the promoters experience and relationship mitigates this factor to an extent.

### Liquidity position

The company has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.2.50 crore to Rs.4.98 crore during the last three years (FY2016-FY2018), while there were no significant maturing debt obligation for the same period. The cash accruals of the company are estimated to be more than Rs.8.00 crore during 2019-21 while its repayment obligation are estimated to be around Rs. 0.50 Crore. The company's operations are moderately working capital intensive as marked by gross current asset (GCA) days of 106 in FY 2018. The cash credit limit in the company remains utilized at 70-80 percent during the last 10 months period ended January 2018. The group maintains cash and bank balances of Rs.0.06 crore as on March 31, 2018. The current ratio of the company stand healthy at 1.03 times as on March 31, 2018. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

### Outlook: Stable

Acuite believes GCL will maintain a stable business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics and timely completion of all the projects. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the company's financial risk profile or higher than expected working capital requirements.

### About the Rated Entity - Key Financials

|                               | Unit    | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income              | Rs. Cr. | 58.92         | 32.35         | 41.58         |
| EBITDA                        | Rs. Cr. | 7.21          | 3.73          | 4.73          |
| PAT                           | Rs. Cr. | 3.56          | 0.88          | 1.41          |
| EBITDA Margin                 | (%)     | 12.24         | 11.52         | 11.38         |
| PAT Margin                    | (%)     | 6.04          | 2.71          | 3.40          |
| ROCE                          | (%)     | 26.05         | 13.25         | 15.81         |
| Total Debt/Tangible Net Worth | Times   | 0.56          | 0.33          | 0.38          |
| PBDIT/Interest                | Times   | 5.53          | 5.64          | 5.36          |
| Total Debt/PBDIT              | Times   | 1.36          | 1.21          | 1.14          |
| Gross Current Assets (Days)   | Days    | 106           | 70            | 94            |

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

Not applicable

### Any other information

Not available

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Application of financial ratio and adjustments - <https://www.acuite.in/view-rating-criteria-40.htm>

### Note on complexity levels of the rated instrument

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

### Rating History (Upto last three years)

| Date         | Name of Instrument / Facilities | Term       | Amount (Rs. Cr.) | Ratings/Outlook                 |
|--------------|---------------------------------|------------|------------------|---------------------------------|
| 09- Apr-2019 | Cash Credit                     | Long Term  | INR 5            | ACUITE BBB- / Stable (Upgraded) |
|              | Bank Guarantee                  | Short Term | INR 15           | ACUITE A3 (Upgraded)            |
| 04-Apr-2018  | Cash Credit                     | Long Term  | INR 5            | ACUITE BB+ (Indicative)         |
|              | Bank Guarantee                  | Short Term | INR 15           | ACUITE A4+ (Indicative)         |
| 23-Jan-2017  | Cash Credit                     | Long Term  | INR 5            | ACUITE BB+ / Stable (Assigned)  |
|              | Bank Guarantee                  | Short Term | INR 15           | ACUITE A4+ (Assigned)           |

### \*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 | 8.00<br>(Enhanced from Rs. 5.00 Cr)  | ACUITE BBB- / Stable (Reaffirmed) |
| Bank guarantee         | Not Applicable   | Not Applicable | Not Applicable | 25.00<br>(Enhanced from Rs.15.00 Cr) | ACUITE A3 (Reaffirmed)            |

### Contacts

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|--|--|
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**About Acuité Ratings & Research:**

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