

Press Release

GI Constructions Private Limited

March 30, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 15.25 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (**read as SMERA B plus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 15.25 crore bank facilities of GI Constructions Private Limited. The outlook is '**Stable**'.

GL Constructions Private Limited (GLCPL) is engaged in the construction and maintenance of roads. The company undertakes contracts from government, semi-government and private entities. GLCPL was incorporated in 1996 by the Directors, Mr. Narayan Mathreja, Mr. Sunil G. Mathreja, Mr. Viveck Mathreja and others who possess extensive experience in the execution of road projects as a Class-1 contractor.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

GLCPL was incorporated in 1996 by Mr. Narayan Mathreja, Mr. Sunil G. Mathreja, Mr. Viveck Mathreja and others. The promoters have been in the construction business for over three decades.

- **Long association with government agencies**

GLCPL has executed projects for several government entities including Public Works Department (PWD), Municipal Corporation of Greater Mumbai (MCGM), Navi Mumbai Municipal Corporation (NMMC), Thane Municipal Corporation (TMC), Mumbai Metropolitan Region Development Authority (MMRDA), Bhabha Atomic Research Centre (BARC) wherein counter-party default risk is minimal although risk associated with delayed payment exists. Apart from government agencies, the company also caters to a few private companies such as L&T, Lodha Builders, Hiranandani Builders. With the promoter's extensive industry experience and timely execution of projects, the company has been able to establish long-standing relationships with its clients.

- **Healthy financial risk profile**

GLCPL has healthy financial risk profile. The company has low gearing of 0.06 times as on 31st March 2016 as compared to 0.25 times as on 31st March 2015. The total debt mainly consists of working capital borrowings. GLCPL has healthy coverage indicators with interest coverage ratio (ICR) of 2.37 times in FY2016 and 1.64 times in FY2015.

Weaknesses

- **Moderate scale of operations**

The operations of GLCPL are at a moderate level despite the company being in the construction business from the last 20 years. The company has achieved operating income of Rs.52.43 cr in FY2015-16 as against Rs. 61.77 cr in FY2014-15. The nature of operations are tender based. Being a

civil contractor, the revenue of GLCPL depends on the number of successful bids and the tenders being released in the financial year by government entities.

• Competitive and fragmented industry

The company is into civil construction. The company faces intense competition from the several mid to big sized players. Risk is more pronounced as tendering is based on the minimum amount of bidding of contracts. However, this risk is mitigated to an extent as the management has extensive experience of 20 years in the industry.

Analytical Approach

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

Outlook: Stable

SMERA believes that GLCPL will maintain a stable outlook 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 revenue and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenue and profitability or deterioration in the financial risk profile or higher than expected working capital requirements.

About the Rated Entity - Key Financials

For FY2015-16, GLCPL registered profit after tax (PAT) of Rs.0.76 cr on total income of Rs.52.43 cr as against net loss of Rs.0.66 cr on total income of Rs.61.77 cr for FY2014-15. The net worth stood at Rs.33.90 cr as on March 31, 2016 against Rs.32.64 cr 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>
- 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)

Not Applicable

***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	5.00	SMERA B+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.25	SMERA B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	9.00	SMERA A4

Contacts

Analytical	Rating Desk
Vinayak Nayak Head - Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 varsha.bist@smera.in
Vishal Choudhary Rating Analyst Tel: 022-67141159 vishal.choudhary@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: *A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.*