

Press Release

GL Constructions Private Limited

July 02, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 21.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 21.00 crore bank facilities of GL Constructions Private Limited. The outlook is '**Stable**'.

GL Construction Private Limited (GLCPL) was incorporated in 1996 by Mr. Narayan Mathreja, Mr. Sunil G. Mathreja, Mr. Viveck Mathreja, Mr. Vishal Mathreja and Mr. Tushar Mathreja. The directors have long experience in execution of road projects as Class-1 contractor. GLCPL is engaged in the construction and maintenance of roads. The firm undertakes contracts from government, semi-government and private entities. GLCPL has executed projects mainly in Mumbai and Thane region for PWD, MCGM, NMMC, TMC, MMRDA, BARC etc.

Key Rating Drivers

Strengths

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

GLCPL was incorporated in 1996 by Mr. Narayan Mathreja, Mr. Sunil G. Mathreja, Mr. Viveck Mathreja, Mr. Vishal Mathreja and Mr. Tushar Mathreja. The promoters have a experience of over two decades in construction business.

- **Moderate financial risk profile**

The financial risk profile of the company has remained moderate marked by net worth of Rs. 34.10 crores as on 31 March 2018 (Prov.) (which includes Rs. 14.30 crore as quasi) as against Rs. 34.52 crores as on 31 March 2017 (which includes Rs. 15.07 crore as quasi). The gearing stood at 0.24 times as on 31 March 2018 (Prov.) as against 0.17 times as on 31 March 2017. The total debt of Rs. 8.12 crores outstanding as on 31 March 2018 (Prov.) comprises long term debt of Rs. 1.94 crores term loan from bank and Rs. 6.18 crores as a working capital facility from the bank. The ICR stands at 1.93 times in FY2018 (Prov.) as against 2.24 times in FY2017. NCA/TD ratio has decreased to 0.29 times in FY2018 (Prov.) as against 0.54 times in FY2017.

Weaknesses

- **Declining operating revenue due to tender based nature of business**

The operations of the GLCPL are considered to be at declining level despite the firm being in the construction business from last 20 years. The company has achieved operating income of Rs. 52.43 crore in FY 2015-16 as compared to Rs. 61.77 crore in FY 2014-15. Being a civil contractor, the revenue of GLCPL depends on the number of successful bids and the tenders being released in the financial year.

- **Deterioration working capital operations**

GLCPL's working capital have deteriorated marked by GCA days of 370 in FY2018 (prov) as against 240 days in FY2017. This is majorly on account of high debtor days of 207 in FY2018 (Prov.). The average bank limit utilization stood at ~96 per cent for the last six months ended May 2018. Going ahead, the ability of the company to efficiently manage its working capital requirements will remain the key rating sensitivity.

• **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 intense 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 20 years.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the GLCPL to arrive at this rating.

Outlook: Stable

Acuité believes GLCPL will maintain a stable business risk profile over the medium term on the back its experienced management and comfortable financial risk profile. The outlook may be revised to 'Positive' in case the company maintains strong growth in revenues and profit margins while attaining a comfortable capital structure. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in working capital management and order book position.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	45.17	54.29	52.43
EBITDA	Rs. Cr.	4.92	5.64	5.45
PAT	Rs. Cr.	0.36	0.81	0.76
EBITDA Margin	(%)	10.90	10.38	10.39
PAT Margin	(%)	0.80	1.49	1.45
ROCE	(%)	7.81	9.72	8.42
Total Debt/Tangible Net Worth	Times	0.24	0.17	0.06
PBDIT/Interest	Times	1.93	2.24	2.37
Total Debt/PBDIT	Times	1.56	0.97	0.34
Gross Current Assets (Days)	Days	370	240	214

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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
14-Jun-2017	Cash Credit	Long Term	5.00	ACUITE B+ / Stable
	Cash Credit	Long Term	1.25	ACUITE B+ / Stable
	Bank Guarantee	Short Term	9.00	ACUITE A4
30-Mar-2017	Cash Credit	Long Term	5.00	ACUITE B+ / Stable
	Cash Credit	Long Term	1.25	ACUITE B+ / Stable
	Bank Guarantee	Short Term	9.00	ACUITE A4

*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	ACUITE B+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4

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About Acuité Ratings & Research:

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