

Press Release

Goel Construction Company Private Limited

April 26, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 16.50 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (read as **SMERA BBB minus**) and short term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs. 16.50 crore bank facilities of Goel Construction Company Private Limited. The outlook is '**Stable**'.

The Jaipur-based Goel Construction Company Private Limited (GCCPL), the erstwhile N.M. Goel & Co., was established as a partnership firm in 1969 and converted to private limited in 1997. The company is engaged in the construction of cement grinding units, lime stone crushers, factory buildings among others.

Key Rating Drivers

Strengths

- Long operational track record and experienced management**

GCCPL benefits from its experienced management. Mr. Arun Kumar Goel, Mr. Vijay Kumar Goel, Mr. Purushottam Dass Goel and others have over four decades of experience in the civil construction business. Further, the management is ably supported by qualified and experienced professionals.

- Reputed clientele**

GCCPL has executed projects for J. K. Cement, Shree Cement Limited, JK Lakshmi Cement Limited among others over the years.

- Healthy financial risk profile**

The financial risk profile is healthy marked by comfortable gearing of 0.26 times as on March 31, 2016 as against 0.52 times in the previous year. The coverage indicators are healthy as interest coverage ratio (ICR) stood at 12.21 times in FY2016 as against 9.59 times in FY2015. The financial risk profile is expected to remain healthy in spite of additional working capital borrowings.

- Efficient working capital management and comfortable liquidity**

GCCPL exhibited efficient working capital management on account of GCA of 62 days in FY2016 as against 88 days in FY2015. The improvement was mainly on account of decrease in debtors days from 35 in FY2015 to 29 in FY2016. The company registered decrease in inventory days from 18 in FY2015 to 9 days in FY2016. Further, the net cash accruals stood at Rs. 5.03 cr in FY2016. The company has unencumbered cash and bank balance of Rs. 2.94 cr as on 31 March, 2016.

Weaknesses

- Moderate scale of operations and tender based nature of business**

The operations are moderate despite the company being in the construction business for the last four decades. The operating income has been stagnant at Rs. 98.23 cr in FY2015-16 as compared to

Rs.98.72 cr in FY2014- 15. Further, the performance is also susceptible to the tender based nature of business. The company is also exposed to intense competition from other contractors.

• Moderate order book position

GCCPL has moderate order book position of Rs. 71.47 cr that provides revenue visibility for the medium term.

Analytical Approach

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

Outlook: Stable

SMERA believes that GCCPL will maintain a stable outlook over the medium term on the back of its experienced management. The outlook may be revised to 'Positive' in case of strong growth in revenue with sustainability in profit margins and healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenue and profitability, deterioration in the financial risk profile or higher than expected working capital requirements.

About the Rated Entity - Key Financials

In FY2015-16, GCCPL reported profit after tax (PAT) of Rs. 3.60 cr on operating income of Rs. 98.23 cr as against PAT of Rs. 5.75 cr on operating income of Rs. 98.72 cr in the previous year. The net worth stood at Rs. 20.85 cr as on March 31, 2016 against Rs. 17.26 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
Proposed	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BBB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	13.50	SMERA A3

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ABOUT SMERA

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