

Press Release

Goel Construction Company Private Limited

June 21, 2018

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuite 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 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 and factory buildings, among others.

Key Rating Drivers

Strengths

- Established track record of operations and experienced management**

The company is promoted by Mr. Arun Kumar Goel, Mr. Vijay Kumar Goel, Mr. Purushottam Dass Goel and others having over four decades of experience in the civil construction business. Further, the management is ably supported by qualified and experienced professionals which has resulted in gaining contracts from reputed clientele base such as J. K. Cement, Shree Cement Limited and JK Lakshmi Cement Limited, among others.

- Healthy financial risk profile**

The financial risk profile of the company is healthy marked by net worth of Rs.23.99 crore as on 31 March, 2017 as against Rs.20.85 crore in the previous year. The gearing (debt-equity) stood at 0.40 times as on 31 March, 2017 (Prev: 0.26 times). The total debt of Rs.9.59 crore as on 31 March, 2017 comprises of term loan of Rs.2.99 crore and unsecured loan of Rs.6.60 crore. Interest Coverage Ratio (ICR) stood at 13.16 times for FY2017 as against 12.21 times for FY2016. Total outside Liabilities to Tangible Net Worth (TOL/TNW) stood at 0.96 times as on 31 March, 2017 as against 0.86 times as on 31 March, 2016.

- Moderate order book position**

GCCPL has moderate order book position of ~Rs.191 crore that provides revenue visibility for the medium term.

Weaknesses

- Moderate scale of operations due to 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 declined at Rs.78.57 crore in FY2017 as compared to Rs.98.23 crore in FY2016. Further 9MFY18, the company has booked revenue of ~Rs.74.00 crore. Also, the performance is susceptible to the tender based nature of business. The company is also exposed to intense competition from other contractors.

- 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 becomes more pronounced as tendering is based on minimum amount of bidding of

contracts. However, this risk is mitigated to an extent as the management has been operating in this environment for last three decades.

• Deterioration in working capital management

The working capital management of GCCPL has been deteriorated marked by higher Gross Current Asset (GCA) days of 101 for FY2017 as against 62 days in the previous year. The increase in GCA days was mainly on account of increase in inventory days to 40 from 19 in the previous year and also increase in debtor days to 43 days in FY2017 from 29 days in FY2016.

Analytical Approach

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

Outlook: Stable

Acuite believes that GCCPL will maintain a 'Stable' outlook over the medium term on the back 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 and/or working capital management.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	78.57	98.23	98.72
EBITDA	Rs. Cr.	6.63	7.36	8.26
PAT	Rs. Cr.	3.14	3.60	5.75
EBITDA Margin	(%)	8.43	7.49	8.37
PAT Margin	(%)	3.99	3.66	5.82
ROCE	(%)	16.97	22.95	53.09
Total Debt/Tangible Net Worth	Times	0.40	0.26	0.52
PBDIT/Interest	Times	13.16	12.21	9.59
Total Debt/PBDIT	Times	1.41	0.71	0.85
Gross Current Assets (Days)	Days	101	62	88

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.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
26-Apr-2017	Proposed Cash Credit	Long Term	3.00	ACUITE BBB- / Stable
	Bank Guarantee	Short Term	13.50	ACUITE A3

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	13.50	ACUITE A3

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About Acuité Ratings & Research:

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