

Press Release

Goel Construction Company Private Limited

August 12, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 16.50 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A3 (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 Rs.16.50 crore bank facilities of GOEL CONSTRUCTION COMPANY PRIVATE LIMITED (GCPL). The outlook is '**Stable**'.

GCPL was established as a partnership concern in 1969 with the name N.M. Goel & Co. and was later converted to a private limited company in 1997. GCPL is promoted by Mr. Arun Kumar Goel, Mr. Vijay Kumar Goel, Mr. Purushottam Dass Goel and Mr. Satish Kumar Goel. The company is engaged in the construction of cement grinding units, lime stone crushers and factory buildings, among others.

Analytical Approach

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

Key Rating Drivers

Strengths

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

GCPL is being promoted by Mr. Arun Kumar Goel, Mr. Vijay Kumar Goel, Mr. Purushottam Dass Goel and Mr. Satish Kumar Goel, who have over four decades of experience in the aforementioned industry. Further, the management is ably supported by qualified and experienced professionals that has resulted in gaining contracts from reputed clientele base such as J. K. Cement, Shree Cement Limited and JK Lakshmi Cement Limited, among others. Acuité believes that GCPL will continue to derive benefit from its experienced management over the medium term.

- **Moderate Financial Risk Profile**

GCPL has moderate financial risk profile marked by moderate net worth, healthy debt protection metrics and low gearing. The net worth of the company has sequentially improved to around Rs.31.13 crore as on 31 March, 2019 (Provisional) as against Rs.24.00 crore as on 31 March, 2017 on account of healthy accretion to reserves.

The company has followed a conservative financial policy in the past. The same is also reflected through its peak gearing levels of 0.65 times as on 31 March, 2018. The gearing level (debt-equity) have improved marginally to around 0.60 times as on 31 March, 2019 (Provisional). The gearing of the company is expected to remain low over the medium term on account of absence of any debt funded capex plans and moderate accretion to reserves. The total debt of Rs.18.73 crore as on 31 March, 2019 (Provisional) consists of long term debt of Rs.5.30 crore, USL of Rs.6.70 and working capital borrowings of Rs.6.73 crore.

The moderate profitability levels coupled with low gearing levels have lead to healthy coverage indicators. The interest coverage ratio stood healthy at around 5.5 to 6.0 times over the last three years. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.30 times in FY2019 (Provisional) and 0.31 times in FY2018. Debt to EBITDA stood at 2.08 times in FY2019 (Provisional) as against 2.05 times in FY2018. Acuité believes that the financial risk profile of the company is expected to remain healthy backed by above average net cash accruals and in absence of any major debt funded capex in near to medium term.

- **Moderately working capital intensive nature of operations**

Operations of GCPL are moderately working capital intensive marked by Gross Current Asset (GCA) of 97 days in FY2019 (Provisional) as compared to 88 days in FY2018. This is on account of debtors' collection period of 49 days in FY2019 (Provisional) as against 25 days in FY2018 and inventory holding period of 27 days in FY2019 (Provisional) as against 54 days in FY2018. However, current ratio of the company stood moderate at 1.40 times as on 31 March, 2019 (Provisional) as against 1.58 as on 31 March, 2018. Acuité believes that the working capital operations of GCPL will continue to remain moderately working capital intensive on account of high level of debtor's collection period.

Weaknesses

- **Moderate scale of operations and customer concentration risk**

Scale of operations of GCPL is moderate despite the company being present in the said industry for the last four decades. Operating income fell by 5.90 per cent in the FY2019 (Provisional) and stood at Rs.99.75 crore as against Rs.106.00 crore in the previous year. The order book position of the company stood moderate with orders of Rs.148.06 crore. Further the company faces customer concentration risk with ~60 per cent of the operating income coming from only four customers.

- **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 player in the sectors. Risk becomes more pronounced as tendering is based on minimum amount of bidding contracts. However, this risk is mitigated to an extent as the management has been operating in this environment for last three decades.

Liquidity Position:

The company has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. GCPL generated cash accruals of Rs.5.71 crore in FY2019 (Provisional) against debt obligations of Rs.2.72 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.6.56 crore to Rs.8.32 crore during FY2020-22 against repayment obligations ranging from Rs.3.16 crore to Rs.3.20 crore for the same period. The company's working capital operations are intensive marked by gross current asset (GCA) days of 97 days in FY2019 (Provisional). The company maintains unencumbered cash and bank balances of Rs.2.20 crore as on 31 March, 2019 (Provisional). The current ratio stands at 1.40 times as on 31 March, 2019 (Provisional). Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accruals against no major debt repayments over the medium term.

Outlook: Stable

Acuité believes that GCPL 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 and/or working capital management.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	99.75	106.00	78.57
EBITDA	Rs. Cr.	8.84	8.55	6.63
PAT	Rs. Cr.	3.53	3.61	3.14
EBITDA Margin	(%)	8.87	8.06	8.43
PAT Margin	(%)	3.54	3.40	3.99
ROCE	(%)	14.08	16.27	15.34
Total Debt/Tangible Net Worth	Times	0.60	0.65	0.57
PBDIT/Interest	Times	5.39	6.03	13.16
Total Debt/PBDIT	Times	2.08	2.05	2.02
Gross Current Assets (Days)	Days	97	88	101

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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
21-Jun-2018	Secured Overdraft	Long Term	3.00	ACUITE BBB- / Stable (Reaffirmed)
	Bank Guarantee	Short Term	13.50	ACUITE A3 (Reaffirmed)
26-Apr-2017	Proposed Cash Credit	Long Term	3.00	ACUITE BBB- / Stable (Assigned)
	Bank Guarantee	Short Term	13.50	ACUITE A3 (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
Overdraft	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB- / Stable (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	13.50	ACUITE A3 (Reaffirmed)

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About Acuité Ratings & Research:

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