

Press Release

Goel Construction Company Private Limited

October 22, 2020



Rating Withdrawn

Total Bank Facilities Rated*	Rs. 16.50 Cr.
Long Term Rating	ACUITE BBB- (Withdrawn)
Short Term Rating	ACUITE A3 (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn the long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and the short term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the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 (GCCPL). The rating withdrawal is in accordance with Acuité's policy on withdrawal of rating. The rating is being withdrawn on account of request received from the company and no objection certificate (NOC) received from the banker.

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

Analytical Approach

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

Key Rating Drivers

Strengths

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

GCCPL is being promoted by Mr. Arun Kumar Goel, Mr. Vijay Kumar Goel, Mr. Purushottam Dass Goel and Mr. Satish Kumar Goel who are having over four decades of experience in the aforementioned industry. Further, the management is ably supported by qualified and experienced professionals which have 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 GCCPL will continue to derive benefit from its experienced management over the medium term.

- **Moderate Financial Risk Profile**

GCCPL has healthy financial risk profile marked by healthy net worth, healthy debt protection metrics and low gearing. The net worth of the company stood at Rs.37.33 crore as on 31 March 2020 (Provisional) as against Rs. 31.13 crore as on 31 March 2019. The gearing level (debt-equity) stood stable at 0.61 times as on 31 March 2020 (Provisional) as against 0.51 times as on 31 March 2019. The total debt of Rs.22.95 crore as on 31 March 2020 (Provisional) as against Rs. 15.96 crores in the last year. The interest coverage ratio (ICR) stood at 6.47 times in FY2020 (Provisional) as against 5.39 times in FY2019. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.37 times in FY2020 (Provisional). Debt to EBITDA stood at 1.81 times in FY2020 (Provisional). Acuité believes that the financial risk profile of the company is expected to remain healthy backed by healthy net cash accruals and in the absence of any major debt-funded capex in near to medium term.

- **Working capital efficient nature of operations**

Operations of GCCPL are working capital efficient marked by Gross Current Asset (GCA) of 79 days in FY2020 (Provisional) as compared to 97 days in FY2019. This is on account of debtors' collection period improvement to 31 days in FY2020 (Provisional) as against 49 days in FY2019 and inventory holding period maintained at 27 days in FY2020 (Provisional) same as FY2018. Current ratio of the company stood moderate at 1.23 times as on 31 March, 2020 (Provisional).

Weaknesses

- **Competitive and fragmented Industry**

The company is engaged as a 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 a minimum amount of bidding contracts. However, this risk is mitigated to an extent as the management has been operating in this environment for the last three decades. Further on the advent of the COVID-19 pandemic, the infrastructure sector has witnessed an unprecedented slowdown.

Liquidity Position: Adequate

The company has adequate liquidity, marked by moderate net cash accruals to its maturing debt obligations. GCCPL generated cash accruals of Rs.8.49 crore in FY2020 (Provisional) against debt obligations of Rs.5.14 crore for the same period. The company's working capital operations are intensive, marked by Gross Current Asset (GCA) days of 79 days in FY2020 (Provisional). Company maintains unencumbered cash and bank balances of Rs.3.14 crore as on 31 March 2020 (Provisional). The current ratio stands at 1.03 times as on 31 March 2020 (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.

Rating Sensitivities

Not Applicable

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	140.88	99.75
PAT	Rs. Cr.	5.59	3.53
PAT Margin	(%)	3.97	3.54
Total Debt/Tangible Net Worth	Times	0.61	0.51
PBDIT/Interest	Times	6.47	5.39

Any other information

Not Applicable

Any Material Covenants

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook

12-Aug-2019	Secured Overdraft	Long Term	3.00	ACUITE BBB- / Stable (Reaffirmed)
	Bank Guarantee	Short Term	13.50	ACUITE A3 (Reaffirmed)
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- (Withdrawn)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	13.50	ACUITE A3 (Withdrawn)

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About Acuité Ratings & Research:

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