

Press Release

Girraj Ji Stone Crushers Private Limited

August 13, 2019



Rating Upgraded and Assigned

Total Bank Facilities Rated*	Rs. 46.00 Cr. (Enhanced from Rs.34.00 crore)
Long Term Rating	ACUITE BBB- / Outlook: Stable (Upgraded and Assigned)
Short Term Rating	ACUITE A3 (Upgraded and Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded its long-term rating to '**ACUITE BBB-**' (**read as ACUITE BBB minus**) from '**ACUITE BB+**' (**read as ACUITE BB plus**) and short term rating to '**ACUITE A3**' (**read as ACUITE A three**) from '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.34.00 crore bank facilities of GIRRAJ JI STONE CRUSHERS PRIVATE LIMITED (GSPL). The outlook is '**Stable**'.

Further, Acuité has assigned 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.12.00 crore bank facilities of GIRRAJ JI STONE CRUSHERS PRIVATE LIMITED (GSPL). The outlook is '**Stable**'.

The upgrade is on the account of sequential improvement in GSPL's business and financial risk profile. The revenues of the company have sequentially improved to Rs.80 crore in FY 2018-19 compared to Rs.33 crore in FY 2016-17, while sustaining its EBITDA margins and its working capital cycle. The upgrade also reflects Acuité's expectations of further improvement in scale of operations, on the back of its healthy order book of Rs.321.00 crore as on June 2019.

GSPL is an Agra-based company, which was incorporated in 1994 by Mr. Sunil Kumar Agarwal and Mrs. Neeti Agarwal. The company is engaged in track laying and linking, construction of Railway bridges and supply of Ballast to Indian Railways in 4 zones- North Central, North eastern, Northern, West-Central, from Jabalpur- Gorakhpur and Bareily- Jaipur.

Analytical Approach

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

Key Rating Drivers

Strengths

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

GSPL is primarily engaged as a work contractor for Indian Railways for the past two decades and is promoted by Mr. Sunil Kumar Agarwal, Mrs. Neeti Agarwal, Mr. Murari Lal Agarwal, Ms. Khushboo Agarwal and Mr. Jatin Garg who are having extensive experience in the aforementioned industry. This has enabled the company to maintain longstanding relations with Indian Railways and its suppliers. The extensive experience of the promoters is also reflected through its healthy revenue growth rate. The revenues of GSPL have registered a compounded annual growth rate (CAGR) of 49.50 per cent over the last three years through FY 2018-19. Acuité believes that GSPL will continue to derive benefit from its experienced management over the medium term.

• **Moderate financial risk profile**

GSPL 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 Rs.20.48 crore as on 31 March, 2019 (Provisional) as against Rs.11.06 crore as on 31 March, 2017 on account of healthy accretion to reserves. The net worth includes unsecured loan of Rs.5.44 crore as on 31 March, 2019 (Provisional) from promoters which are subordinated to bank debt.

The company has followed a conservative financial policy in the past. The same is also reflected

through its peak gearing levels. The gearing level (debt-equity) stood stable at 0.29 times as on 31 March, 2019 (Provisional) as against 0.29 times as on 31 March, 2018. (Debt to EBITDA stood at 0.77 times in FY2019 (Provisional) as against 0.84 times in FY2018). 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.6.01 crore as on 31 March, 2019 (Provisional) consist of long term debt of Rs.1.39 crore and working capital borrowings of Rs.4.62 crore.

The revenues of the company have increased by 49.50 per cent over the last three year through FY2018-19, while the operating margins have remained stable at around 9.3 per cent, leading to healthy coverage indicators. The interest coverage ratio stands at 4.44 times in FY2019 (Provisional) as against 4.87 times in FY2018. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.80 times in FY2019 (Provisional) and 0.75 times in FY2018.

Acuité believes that the financial risk profile of the company is expected to remain moderate backed by average net cash accruals and in absence of any major debt funded capex in near to medium term.

- **Improving revenue backed by healthy order book position**

GSPL has registered healthy growth in operating income of around 46 per cent in FY2019 (Provisional). Operating income in FY2019 (Provisional) stood at Rs.80.02 crore as against Rs.54.93 crore in the previous year. The increase in revenue is mainly on account of increase in the order book. The company's margins have improved during FY2019 (Provisional) to 9.40 per cent from 9.06 per cent in the previous year. Scale of operations have reported a compound annual growth rate of about 38.67 per cent over the past five years through FY2019 (Provisional). Further, company has healthy executable order book position of Rs.321.00 crore as on July, 2019 which gives the revenue visibility in the near to medium term.

Weaknesses

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

Operations of GSPL are moderately working capital intensive marked by Gross Current Asset (GCA) of 122 days in FY2019 (Provisional) as compared to 107 days in FY2018. This is on account of debtors' collection period of 24 days in FY2019 (Provisional) as against 5 days in FY2018 and inventory holding period of 37 days in FY2019 (Provisional) as against 36 days in FY2018. Current ratio of the company stood moderate at 1.82 times as on 31 March, 2019 (Provisional) as against 2.06 as on 31 March, 2018. Acuité believes that the working capital operations of GSPL will continue to remain moderately working capital intensive on account of moderate level of inventory holding period.

- **Customer concentration**

GSPL is exposed to customer concentration risk as the company derives 100 percent of its operating income from Indian Railways.

Liquidity Position:

The company has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. GSPL generated cash accruals of Rs.4.83 crore in FY2019 (Provisional) against debt obligations of Rs.0.30 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.5.97 crore to Rs.8.16 crore during FY2020-22 against repayment obligations of Rs.0.30 crore for the same period. The company's working capital operations are moderately intensive marked by gross current asset (GCA) days of 122 days in FY2019 (Provisional). The company maintains unencumbered cash and bank balances of Rs.0.10 crore as on 31 March, 2019 (Provisional). The current ratio stands at 1.82 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 GSPL will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management and healthy order book position. The outlook may be revised to 'Positive' in case the company registers substantial and sustained growth in revenues from the current levels while maintaining its operating margins and improvement in capital structure. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its working capital management, thereby impacting its financial risk profile, particularly its liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	80.02	54.93	32.77
EBITDA	Rs. Cr.	7.53	4.98	3.05
PAT	Rs. Cr.	3.88	2.64	1.17
EBITDA Margin	(%)	9.40	9.06	9.31
PAT Margin	(%)	4.84	4.80	3.57
ROCE	(%)	30.29	25.99	17.86
Total Debt/Tangible Net Worth	Times	0.29	0.29	0.47
PBDIT/Interest	Times	4.44	4.87	3.10
Total Debt/PBDIT	Times	0.77	0.84	1.61
Gross Current Assets (Days)	Days	122	107	123

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
13-Aug-18	Cash Credit	Long Term	5.00	ACUITE BB+ / Stable (Upgraded)
	Proposed Bank Facility	Long Term	3.00	ACUITE BB+ / Stable (Assigned)
	Bank Guarantee	Short Term	13.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Assigned)
	Proposed Bank Facility	Short Term	8.00	ACUITE A4+ (Assigned)
04-Jul-17	Cash Credit	Long Term	4.50	ACUITE BB / Stable (Assigned)
	Proposed Bank Facility	Long Term	0.50	ACUITE BB / Stable (Assigned)
	Bank Guarantee	Short Term	10.00	ACUITE A4+ (Assigned)
	Proposed Bank Facility	Short Term	3.00	ACUITE A4+ (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB- / Stable (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB- /Stable (Assigned)
Proposed cash credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB- / Stable(Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE A3 (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3 (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3 (Assigned)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A3 (Upgraded)

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About Acuité Ratings & Research:

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