

Press Release

Girraj Ji Stone Crushers Private Limited

October 16, 2020



Rating Upgraded

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

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE BBB**' (**read as ACUITE triple B**) from '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and the short-term rating to '**ACUITE A3+**' (**read as ACUITE A three plus**) from '**ACUITE A3**' (**read as ACUITE A three**) on the Rs.46.00 crore bank facilities of Girraj Ji Stone Crushers Private Limited. The outlook is '**Stable**'.

The rating upgrade follows a significant improvement in operating income to Rs.157.26 crore in FY2020 (Provisional) from Rs.79.96 crore in FY2019, improvement in operating profit to Rs.14.15 crore in FY2020 (Provisional) from Rs.7.42 crore in FY2019 which led to an improvement in debt protection metrics of the company. The rating also factors in the experience of the management in the infrastructure industry, long standing relations with Indian Railways that has enabled them to maintain strong order position of around Rs.500.00 crore which provides healthy revenue visibility over the medium term, efficient working capital management, and low financial leverage. These strengths are partially offset by moderate net worth and nature of the business which has high susceptibility to availability of new tenders.

About the company

Agra based Girraj Ji Stone Crushers Private Limited (GSPL) was incorporated in 1994 by Mr. Sunil Kumar Agarwal and Mrs. Neeti Agarwal. The company undertakes projects for track laying and linking, construction of railway bridges and supply of ballast to Indian Railway in four zones - North Central, Northern and North Eastern, and West Central.

Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of Girraj Ji Stone Crushers Private Limited (GSPL) for arriving at this rating.

Key Rating Drivers

Strengths

• **Experience Management and established market positions**

GSPL is primarily engaged as a work contractor for Indian Railways for more than two decades and is managed 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. Having a track record of 25 years of operations has helped the company to establish a strong market position and maintain healthy and longstanding relations with its customers and suppliers. Acuité believes that the company will continue to derive benefit from its experienced management and established market position over medium to long term.

• **Improvement in working capital management**

The working capital management of the company has improved in FY2020 (Provisional) over FY2019 as marked by Gross Current Assets (GCA) of 92 days in FY2020 (Provisional) as against 123 days in the previous year. This improvement follows the reduction in inventory holding period to 17 days in FY2020 (Provisional) from 37 days in the previous year. Further, the company gets a period of around 45-60

days from its suppliers. The current ratio stands moderate at 1.89 times as on 31 March 2020 (Provisional). Acuité expects the working capital to be efficiently managed on account of low inventory holding period and debtors' collection period.

• Healthy debt protection metrics albeit moderate networth

Improvement in operating income of the company has led to the strengthening of debt protection metrics marked by Interest coverage ratio ((ICR) and debt service coverage ratio (DSCR) of 8.72 times and 6.89 times respectively in FY2020 (Provisional) as against 4.29 and 3.53 times respectively in FY2019. The net worth of the company has improved to Rs.31.78 crore as on 31 March 2020 (Provisional) from Rs.20.36 crore as on 31 March 2019, on account of infusion of quasi equity by the promoters and accretion of reserves. Working capital requirements are majorly being funded by internal accruals which have led to lower reliance on fund based working capital facility; this has caused the gearing (debt-equity) levels to remain low during the last three years under study, as demonstrated by peak level of 0.30 times as on 31 March 2019. The financial leverage of the company has also remained low as marked by Debt-EBITDA of 0.48 times in FY2020 (Provisional). Going forward, Acuité believes that the financial risk profile of the company to remain financial backed by healthy net cash accruals and no major debt-funded capex in near to medium term.

Weaknesses

• Competitive business environment.

Operating margins have marginally declined to 8.80 percent in FY2020 (Provisional) from 9.28 percent in FY2019. The construction industry (characterized by the presence of a large number of players) tends to keep the margins under check. Further, the margins are exposed to volatility in raw material prices and revenue mix as the supply of ballast is a low margin segment.

Liquidity Position: Adequate

GSPL has adequate liquidity profile marked by moderate net cash accruals to its maturing debt obligations. The company generated net cash accruals of Rs.9.71 crore in FY2020 (Provisional) as against repayment obligations of Rs.0.40 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.10.41 crore to Rs.13.59 crore during FY2021-23. Company's average fund based bank limit utilization stood at ~33 percent for the last six-month period ended in August 2020. Utilization of non-fund based facility averaged ~73 percent for the last five months ended August 2020. The current ratio stands average at 1.89 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 healthy cash accrual and no major repayments over the medium term.

Rating Sensitivities

- Lower than expected operating performance
- Improvement in operating income
- Deterioration in the working capital cycle and liquidity position of the company

Outlook: Stable

Acuité believes that GSPL will maintain '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 of higher than expected growth in revenues and profitability while maintaining its working capital management. Conversely, the outlook may be revised to 'Negative' in case of delays in project execution or deterioration in the financial profile on account of fall in the profitability or stretch in liquidity position.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	157.26	79.96
PAT	Rs. Cr.	8.96	3.72
PAT Margin	(%)	5.70	4.66
Total Debt/Tangible Net Worth	Times	0.22	0.30
PBDIT/Interest	Times	8.72	4.29

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

Not Applicable

Any other information

Not Applicable

Any Material Covenants

Not Applicable

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
13-Aug-2019	Cash Credit	Long Term	5.00	ACUITE BBB- / Stable (Upgraded from ACUITE BB+ / Stable)
	Cash Credit	Long Term	1.00	ACUITE BBB- / Stable (Assigned)
	Proposed Cash Credit	Long Term	2.00	ACUITE BBB- / Stable (Upgraded from ACUITE BB+ / Stable)
	Bank Guarantee	Short Term	18.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Bank Guarantee	Short Term	5.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Bank Guarantee	Short Term	5.00	ACUITE A3 (Assigned)
	Proposed Bank Guarantee	Short Term	10.00	ACUITE A3 (Upgraded from ACUITE A4+)
13-Aug-2018	Cash Credit	Long Term	5.00	ACUITE BB+ / Stable (Upgraded from ACUITE BB / Stable)
	Proposed Cash Credit	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 Guarantee	Short Term	8.00	ACUITE A4+ (Assigned)
04-Jul-2017	Cash Credit	Long Term	4.50	ACUITE BB / Stable (Assigned)
	Bank Guarantee	Short Term	10.00	ACUITE A4+ (Assigned)
	Proposed Long Term Loan	Long Term	0.50	ACUITE BB / Stable (Assigned)

	Proposed Short Term Loan	Short Term	3.00	ACUITE A4+ (Assigned)
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***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	6.50	ACUITE BBB/ Stable (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BBB/ Stable (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	26.50	ACUITE A3+ (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3+ (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE A3+ (Upgraded)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President Tel: 022-49294041 aditya.gupta@acuite.in Deepesh Pamnani Analyst - Rating Operations Tel: 011-49731315 deepesh.pamnani@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research:

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