

## Press Release

### Gurumurthy Engineering Enterprises



**D-U-N-S® Number: 91-885-8882**

March 28, 2019

#### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 20.00 Cr.
<b>Long Term Rating</b>	ACUITE B+ / Outlook: Stable

\* Refer Annexure for details

#### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) to the Rs. 20.00 crore bank facilities of Gurumurthy Engineering Enterprises (GEE). The outlook is '**Stable**'.

Tamil Nadu based, GEE was established in 1994 by Mr. Vadivelu Gurumurthy as a proprietorship concern. The firm is mainly engaged in construction of roads and bridges for Government departments.

#### Analytical Approach

Acuité has considered the standalone financial and business risk profile of GEE to arrive at the rating.

## Key Rating Drivers

### Strengths

- Experienced management**

Promoted by Mr. Gurumurthy in 1994, the firm is engaged in construction works mainly for NHAI and airport authorities. The experience of the promoter in this business has helped the firm secure regular contracts.

- Moderate financial risk profile**

GEE has moderate financial risk profile marked by healthy tangible net worth of Rs.31.05 crore as on 31 March, 2018 as against Rs.24.71 crore as on 31 March, 2017. The gearing stood moderate at 1.42 times as on 31 March, 2018 as against 1.65 times as on 31 March, 2017. The debt of Rs.44.12 crore mainly consists of short term working capital borrowings of Rs.24.41 crore, and VSL loan of Rs.19.71 crore. Interest Coverage Ratio (ICR) stood at 6.18 times in FY 2018 as against 7.26 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.52 times as on 31 March, 2018 as against 1.88 times as on 31 March, 2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.19 times as on 31 March, 2018 as against 0.26 times as on 31 March, 2017.

### Weaknesses

- Highly competitive industry and tender driven business**

The industry is highly fragmented with limited entry barriers wherein the presence of large number of players in the unorganised sector limits the bargaining power with customers. Further, operations of the firm are tender-based and order procurement depends on the successful bidding of projects.

### Liquidity Position:

GEE has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.5.86-10.78 crore during the last three years through 2016-18 and are expected to be in the same range. The Gross current asset (GCA) days stood at 75 in FY2018. The firm maintains unencumbered cash and bank balances of Rs.0.20 crore as on March 31, 2018. The current ratio stood at 1.94 times as on March 31, 2018. Acuité believes that the liquidity of the firm is likely to remain moderate over the medium term.

### Outlook: Stable

Acuité believes that the outlook on GEE's rated facilities will remain 'Stable' over the medium term on account of its promoter's extensive experience and moderate financial risk profile. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

### About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	53.06	83.54	83.82
EBITDA	Rs. Cr.	7.13	9.34	5.44
PAT	Rs. Cr.	7.50	9.85	5.04
EBITDA Margin	(%)	13.43	11.18	6.49
PAT Margin	(%)	14.13	11.79	6.01
ROCE	(%)	12.94	19.06	24.42
Total Debt/Tangible Net Worth	Times	1.42	1.65	2.02
PBDIT/Interest	Times	6.18	7.26	4.27
Total Debt/PBDIT	Times	4.46	3.26	4.89
Gross Current Assets (Days)	Days	75	86	76

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.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)

Not Applicable

### \*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	20.00	ACUITE B+ / Stable

## Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Manmisha Sodhi Analyst - Rating Operations Tel: 022-49294024 <a href="mailto:manmisha.sodhi@acuiteratings.in">manmisha.sodhi@acuiteratings.in</a>	

### About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

**Disclaimer:** *An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.*