

Press Release

Gurumurthy Engineering Enterprises

D-U-N-S® Number: 91-885-8882

March 28, 2019

Rating Assigned



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

* Refer Annexure for details

Rating Rationale

Acuite 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

Acuite 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. Acuite believes that the liquidity of the firm is likely to remain moderate over the medium term.

Outlook: Stable

Acuite 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

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About Acuite Ratings & Research:

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