

Press Release

GAJANAND CORPORATION PRIVATE LIMITED

March 31, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 5.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as SMERA BB minus) on the Rs. 5.00 crore bank facilities of GAJANAND CORPORATION PRIVATE LIMITED. The outlook is '**Stable**'.

Gajanand Corporation Private Limited (GCPL) was established as a partnership firm by Mr. Anand Shantilal Patel and Ms. Beenaben Patel. Subsequently the constitution changed into private limited in 2012. GCPL is into execution of civil projects of commercial buildings houses and factory buildings and engages in subcontracting for established players in the market. GCPL is based out of Ahmedabad Gujarat.

Key Rating Drivers

Strengths

- **Moderate financial risk profile**

GCPL has moderate risk profile marked by tangible networth of Rs. 7.01 crore as on 31 March, 2017 as against Rs. 5.38 crore in the previous year. The gearing stood at 2.02 times in FY2017 as against 2.22 times in FY2016. The debt of Rs. 14.19 crore mainly consists of working capital borrowings of Rs. 7.62 crore, unsecured loan from NBFCs Rs. 5.99 crore and term loan of Rs. 0.57 crore as on 31 March, 2017. The interest coverage ratio (ICR) stood at 2.71 times and debt service coverage ratio (DSCR) stood at 2.34 times in FY2017. The net cash accruals/total debt (NCA/TD) stood at 0.21 times as on 31 March, 2017.

- **Experienced management and healthy order book**

The promoter, Mr. Anand Shantilal Patel has experience of over two decades in the civil construction industry. Prior to starting GCPL, Mr. Patel was a partner at Ashu Constructions (AC), engaged in civil construction. The extensive experience of the promoter has helped secure subcontracting work resulting in a healthy order book of Rs.126.62 crore which is expected to be executed till FY2019 reflecting moderate revenue visibility in near to medium term.

Weaknesses

- **Modest scale of operations and dependency risk**

The company has modest scale of operations with revenue of around Rs. 53.94 crore in FY2017 compared to Rs.46.90 crore in FY2016. Also, the revenues of GCPL are dependent on contracts received from various established players in market (more than 70 per cent) which cater to the Gujarat Government. SMERA believes that a significant event such as a slowdown in receipt of orders, deferment of projects by the counterparty or delay in realization of receivables from main contractors may have a bearing on the operating cash flows and credit profile of the firm.

- **Working capital intensive**

GCPL's operations are working capital intensive marked by GCA of 174 days in FY2017 compared to 162 days in FY2016. The GCA days are mainly dominated by inventory of 134 days in FY2017. The average bank limit utilization stood high at ~95 per cent for the last six months (July 2017 to December 2017). SMERA believes that efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Gajanand Corporation Private Limited to arrive at the rating.

Outlook: Stable

SMERA believes that GCPL will maintain a 'Stable' outlook on account of its experienced management and healthy order book position. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenue and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' if the firm registers lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile or higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	53.94	46.90	36.64
EBITDA	Rs. Cr.	5.98	6.54	5.09
PAT	Rs. Cr.	1.63	1.53	1.28
EBITDA Margin	(%)	11.09	13.94	13.88
PAT Margin	(%)	3.03	3.27	3.50
ROCE	(%)	24.77	30.64	43.00
Total Debt/Tangible Net Worth	Times	2.02	2.22	3.65
PBDIT/Interest	Times	2.71	2.22	2.69
Total Debt/PBDIT	Times	2.34	1.84	2.73
Gross Current Assets (Days)	Days	174	162	174

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smerra.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.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
Proposed	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB- / Stable

Contacts

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ABOUT SMERA

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