

Press Release

Gas Projects India Private Limited

07 May, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 9.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA B**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.9.00 crore bank facilities of Gas Projects India Private Limited. The outlook is '**Stable**'.

Gas Projects India Private Limited (GPPL) was established as a partnership firm in 1985 at Navi Mumbai (Maharashtra) and later was converted into private limited company in 2001. The company is promoted by Mr. Sachiv Parikh and Mr. Prashant Parikh. The company is engaged in manufacturing of systems for storage and distribution of compressed gases and fuels such as LPG, vaporisers, reticulated gas systems to name a few. Over the years, GPPL started the business of turnkey solution provider with a pan-Indian service support network. GPPL has added electrical, electronics, civil and automation engineering to its services over the years.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

Gas Projects India Private Limited (GPPL) incorporated in 2001 is promoted by Mr. Sachiv Parikh who has more than 35 years of experience and Mr. Prashant Parikh who has more than 25 years of experience in the industry. SMERA believes that the company will sustain the existing business profile on the back of established track record of operations and established relations with reputed customers based on the experience of the promoters.

- **Moderate order book position based on reputed customers**

The company has unexecuted order book position of Rs.~20.00 crore from Oil & Natural Gas Corporation Ltd, Indian Oil Corporation Ltd, Reliance Industries Ltd to name a few which gives further visibility of the revenues over the near to medium term.

Weaknesses

- **Average financial risk profile**

The financial risk profile is moderate marked by tangible net worth of Rs.12.35 crore which includes unsecured loan to the tune of Rs.10.00 crore considered as quasi equity as on 31 March, 2017 as against Rs.12.27 crore as on 31 March, 2016. The gearing stood at 0.30 times as on 31 March, 2017 as against 0.23 times as on 31 March, 2016. The total debt of Rs.3.95 crore outstanding as on 31 March, 2017 comprises Rs.0.18 crore as vehicle loan and Rs.3.57 crore as working capital limits from the bank and Rs.0.20 crore as unsecured loans from the directors. The interest coverage ratio stood at 1.39 times in FY2017 as against 1.63 times in FY2016. TOL/TNW stood at 0.53 times as on 31 March, 2017 as against 0.55 times as on 31 March, 2016. The net cash accruals stood at Rs.0.25 crore in FY2017 as against Rs.0.34 crore in FY2016.

• Fluctuating revenue profile

The company has fluctuating revenue profile owing to high dependence on tender based orders from the Government. The revenues for FY2017 stood at Rs.15.07 crore as against Rs.11.15 crore in FY2016 and Rs.11.58 crore in FY2015. Further, the company has booked revenue of Rs.~10.50 crore for FY2018 (Provisional). SMERA believes that high dependency on flow of orders from the Government will be crucial to the company in order to maintain its revenue stream over the medium term.

• Working capital intensive nature of operations

The working capital cycle of GPPL is at 318 days in FY2017 as compared to 393 days in FY2016. This is majorly on account of high inventory holding period which stood at 217 days in FY2017 as against 367 days in FY2016. The receivable days are also high at 143 days in FY2017 as against 140 days in FY2016. The average bank limit utilization stood at 50-60 percent for the last six months ended March, 2018. SMERA believes that being into capital goods industry, the operations of GPPL will remain working capital intensive as inventory holding period will remain high as inherent to the capital goods industry.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of GPPL to arrive at the rating.

Outlook: Stable

SMERA believes that GPPL will maintain a 'Stable' outlook in the medium term on the back of established operations and long standing experience of the promoters in the business. The outlook may be revised to 'Positive' in case of significant improvement in operation, profitability, working capital cycle and net worth. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile or further elongation of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	15.07	11.15	11.58
EBITDA	Rs. Cr.	0.85	0.79	0.11
PAT	Rs. Cr.	0.10	0.12	-0.63
EBITDA Margin	(%)	5.61	7.09	0.91
PAT Margin	(%)	0.68	1.09	-5.46
ROCE	(%)	5.11	4.16	-0.82
Total Debt/Tangible Net Worth	Times	0.32	0.31	0.33
PBDIT/Interest	Times	1.39	1.63	0.27
Total Debt/PBDIT	Times	4.02	4.25	25.65
Gross Current Assets (Days)	Days	403	560	534

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

CRISIL Ratings in its press release dated May 09, 2017 inter alia has stated the following 'CRISIL has been consistently following up with Gas Projects India Private Limited (GPIPL) for obtaining information through letters and emails dated November 21, 2016 and December 22, 2016 among others, apart from telephonic communication. However, the issuer has remained non cooperative. 'The investors, lenders and all other market participants should exercise due caution while using the rating assigned/reviewed with the suffix 'ISSUER NOT COOPERATING'. These ratings lack a forward looking component as it is arrived at without any management interaction and is based on best available or limited or dated information on the company.'

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.25	SMERA B / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.75	SMERA A4

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ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

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