

Press Release

GHV (India) Private Limited (GIPL)

June 08, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 1200.00 Cr.
Long Term Rating	ACUITE A+ / Outlook:Stable
Short Term Rating	ACUITE A1

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE A+**' (read as **ACUITE A plus**) and short term rating of '**ACUITE A1**' (read as **ACUITE A one**) on the Rs.1200.00 crore bank facilities of GHV (India) Private Limited. The outlook is '**Stable**'.

GIPL was established as a partnership firm in 1965 under the name 'G H Vijapura & Company' by Mr. G H Vijapura. The firm was later reconstituted as a private limited company under the name 'GHV (India) Private Limited'. The company is promoted by Mr. Jahid Vijapura and his brothers (second generation). The company is Engineering, Procurement and Construction (EPC) contractor and has undertaken construction projects in the area of roads, urban development, and airport runway/parking construction/reconstruction for the state and central government as well as private players.

Key Rating Drivers

Strengths

• Established Track record of operations and experienced management

GIPL is primarily focused on urban construction for the past five decades and has a long track record of executing road projects in a reasonable time frame. The directors of the company, Mr. Jahid Vijapura, Mr. Mustaq Vijapura, Mr. Farooq Vijapura have more than two decades of experience in the road construction and infrastructure industry. Mr. Shafi Vijapura, the co-founder of the company has more than four decades of experience in the aforementioned line of businesses. GHV has executed projects for IL&FS Transportation Networks Limited, Airport Authority of India, Public works department, IRCON International Limited amongst others.

The extensive experience of the management is reflected through its healthy order book position of Rs. 4,768 crore as on March 31, 2018, providing a strong revenue visibility. The revenues of the company have grown at a CAGR of 23.84 percent for the last 3 years through 2017-18. GIPL registered operating income of Rs.1,213 crore in 2017-18 up from Rs.457 crore in 2014-15. Although, risk associated with delayed payment exists, with promoters' extensive experience and established track record, GHV has managed to collect payments within 60 days from work certification; the same is also reflected through its efficient working capital cycle. With the promoters' extensive industry experience and timely execution of projects, GHV has been able to establish long standing relationship with its clients.

• Moderate financial risk profile and comfortable liquidity

GIPL has moderate financial risk profile marked by moderate net worth, low gearing and health debt protection measures.

GIPL's net worth is moderate at around Rs.167.47 crore as on March 31, 2018 (Provisional). The net worth has improved significantly from Rs.46.72 crore as on March 31, 2015 on account of healthy accretion to reserves. Acuite believes that the net worth of the company will remain moderate backed by its healthy revenue growth and stable operating margins leading to healthy accretion to reserves.

The company has followed a moderately aggressive financial policy in the past, with its peak

gearing estimated at around 1.94 times as on March 31, 2015. The gearing of the company, however, has declined to around 0.74 times as on March 31, 2018. The TOL/TNW ratio however is estimated to be high at around 3.81 times as on March 31, 2018 (Provisional) on account of high mobilization advances and trade payables.

GIPL is estimated to have generated cash accruals of around Rs.195.24 crore over the last four years through 2018, while the total capex and incremental working capital of the company, during the same period were estimated at around Rs.112.00 crore and Rs.34.88 crore, respectively. The cash accruals have been sufficient to support the total capex and incremental working capital requirement, thereby leading to lower reliance on working capital facility. Though, the company does not have any major capex plans, the incremental working capital requirement, however, are estimated to remain high over the next two years. GIPL's gearing is estimated to remain in the range of 0.65-0.80 times over the medium term.

GIPL's revenues have increased by 39.80 percent during 2018, while the operating margins of the company are estimated to remain stable at around 9.00 percent. The moderate profitability coupled with low gearing levels has resulted in healthy debt protection metrics, with interest coverage of 4.88 times and NCA/TD of 0.55 times. Acuite believes that the debt protection metrics will remain healthy on account of healthy revenue visibility and stable operating margins over the medium term.

GIPL's liquidity is estimated to be adequate, marked by unencumbered cash and bank balances of ~Rs.15.00 crore as on March 31, 2018, moderately utilized bank lines with peak and average utilization of 100 percent and 68.00 percent, respectively. GIPL's liquidity is further supported by its efficient working capital cycle marked by estimated Gross Current Asset (GCA) days of around 126 days as on March 31, 2018. Acuite believes that GIPL's liquidity will remain adequate in the absence of any major debt funded capital expenditure, its healthy cash accruals vis-à-vis its moderate incremental working capital requirements.

Weaknesses

• Customer concentration risk and execution risk

GIPL has been mainly undertaking road construction contracts for IL&FS Transportation Networks Limited (ITNL). The revenue of GIPL has been highly dependent on ITNL as show in the chart 1 below. High degree of customer concentration in the revenues leaves GIPL vulnerable to changes in the credit profile of ITNL. Acuite believes that any adverse change in the credit profile of ITNL will most likely lead to deterioration of working capital cycle of GIPL, particularly its receivable collection. Though, there have been improvements in the revenue profile of the company in 2016-17, Acuite believes that the high degree of concentration in the revenue profile of the company towards ITNL, will remain a key rating sensitivity factor over the medium term.

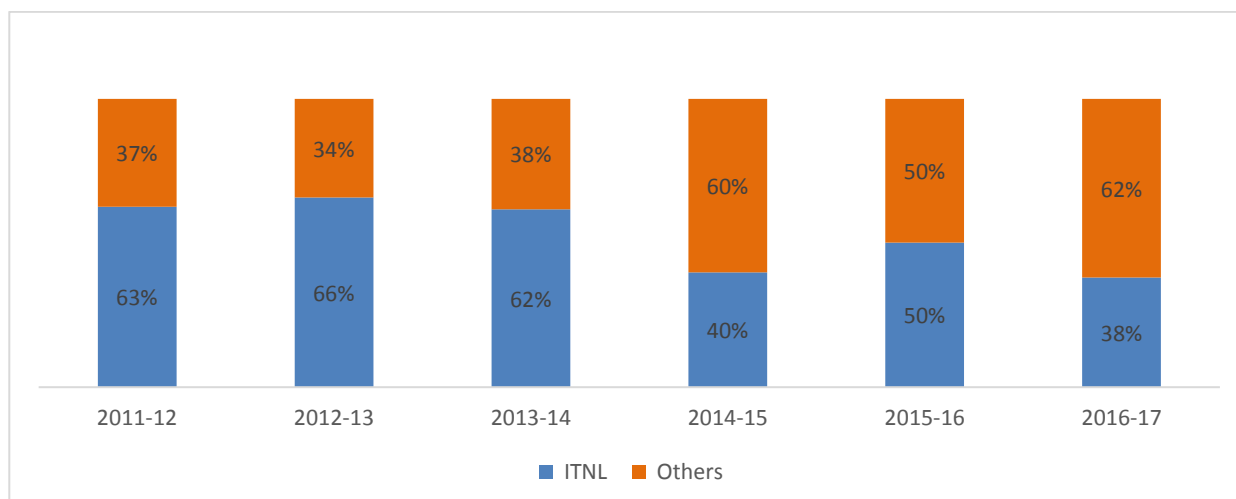


Chart 1: Customer concentration in revenue profile

GIPL has started bidding for tenders directly or in technical collaboration with other EPC players, the order book position also reflects the improvement. The order book as on March 31, 2018 stands at Rs.4,768 crore of which ITNL contributes to around 16 percent. Though, the healthy order book provides strong revenue visibility to GIPL, it however leaves the company vulnerable to execution risks as ~71 percent of its orders are recent awards and are yet to start. The order book also exhibits lumpiness as the top five orders constitute about 53.5 percent of its pending order book position leading to high dependence on these large orders. Acuite believes that the timely execution of these large orders and gradual de-risking of order book remain critical to sustained revenue growth of the GIPL.

• Competitive and fragmented industry

GHV is engaged as an EPC contractor. This particular sector is marked by the presence of several mid to large sized players. The company faces intense competition from the other players in the sectors. The risk becomes more pronounced as tendering is based on minimum amount of bidding on contracts and susceptibility to inherent cyclicity in the road sector. GIPL's order book comprises around 95 percent projects in the roads/highway segment. Acuite believes that GIPL is well positioned on account of its longstanding relationship with well-established international players in the infrastructure industry, long track-record and experience of its promoters spanning nearing four decades.

Analytical Approach

For arriving at its rating, Acuite has combined the business and financial risk profile of GIPL with its joint ventures GHV-EKK Joint Venture and Zignego Company INC- GHV (India) Private Limited Joint Venture, while not combining the subsidiaries - GHV Hotel (India) Pvt Ltd, GHV Hospitality (India) Pvt Ltd, GHV Realtors and Hotels Pvt Ltd, and Associated Microtech Pvt Ltd on account of management stated posture, supported by board resolution dated March 20, 2018 and Bank statements confirming transfer of shareholding of the subsidiaries to the members of Vijapura Family of delinking subsidiaries from GIPL.

Outlook: Stable

Acuite believes that GHV will maintain its moderate financial risk profile over the medium term on account of its established track record, experienced management and healthy order book position. The outlook may be revised to 'Positive' in case of a substantial and sustained growth in revenues and operating profitability. Conversely, the outlook may be revised to 'Negative' in case of higher-than-anticipated increase in its working capital requirements most likely as a result of delays in realization of receivables from IL&FS Transportation Networks Limited (ITNL) or as a result of higher working capital requirement from its new projects thereby leading to deterioration in the financial risk profile, or if there is significant delays in completion of projects.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	1,213.30	867.91	861.05
EBITDA	Rs. Cr.	108.10	78.45	62.60
PAT	Rs. Cr.	44.89	30.92	27.35
EBITDA Margin	(%)	8.91	9.04	7.27
PAT Margin	(%)	3.70	3.56	3.18
ROCE	(%)	34.64	35.42	32.54
Total Debt/Tangible Net Worth	Times	0.74	0.81	1.01
PBDIT/Interest	Times	4.88	4.36	7.87
Total Debt/PBDIT	Times	1.12	1.12	1.20
Gross Current Assets (Days)	Days	126	125	63

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

None

Any other information

None

Applicable Criteria

- Entities in the infrastructure sector - <https://www.acuite.in/view-rating-criteria-14.htm>
- Manufacturing Entities - <https://www.acuite.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>
- Criteria For Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	58.00	ACUITE A+ / Stable (Rating Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	24.00	ACUITE A+ / Stable (Rating Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A+ / Stable (Rating Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE A+ / Stable (Rating Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A+ / Stable (Rating Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A+ / Stable (Rating Assigned)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A+ / Stable (Rating Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	245.00	ACUITE A1 (Rating Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	164.00	ACUITE A1 (Rating Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	64.00	ACUITE A1 (Rating Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	80.00	ACUITE A1 (Rating Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	27.00	ACUITE A1 (Rating Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A1 (Rating Assigned)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	385.00	ACUITE A1 (Rating Assigned)

Contacts

Analytical	Rating Desk
<p>Suman Chowdhury President - Rating Operations Tel: 022-67141107 suman.chowdhury@acuite.in</p> <p>Amogh Kharkar Analyst - Rating Operations Tel: 022-67141315 amogh.kharkar@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

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) for the latest information on any instrument rated by Acuité.