

Press Release

Ghaziabad Mechfeb Private Limited

June 29, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 12.50 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE BB minus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 12.50 crore bank facilities of Ghaziabad Mechfeb Private Limited. The outlook is '**Stable**'.

GMPL, incorporated in 1996 and promoted by Mr. Subodh Gupta, manufactures pre engineered buildings and components. The manufacturing facility of the company is located at Ghaziabad in Uttar Pradesh. The company as on date has an order book of Rs 35-40 crore from Delhi Metro Rail Corporation (DMRC), NTPC and Shiv Shankar Construction Private Limited.

Key Rating Drivers

Strengths

- **Experienced Management**

Incorporated in 1996, GMPL is promoted by Mr. Subodh Gupta, engaged in manufacturing of pre engineered buildings and components. It has its presence in this industry for almost two decades. It avails big orders of Rs. 40.00 crores from Indira Gandhi National Tribal University, Delhi Metro Rail Corporation (DMRC), NTPC and Shiv Shankar Construction Private Limited.

- **Improvement in working capital cycle**

GMPL's working capital cycle has been comfortable at 150 days in FY2017 as against 360 days in FY2016. This is on account of inventory holding of 86 days in FY2017 as against 269 days in FY2016 and debtors of 67 days in FY2017 as against 75 days in FY2016.

Weaknesses

- **Moderate Scale of Operations due to tender based nature of business**

The operations of GMPL are at moderate level despite the company being in this business from last 20 years. The company has achieved operating income of Rs. 29.87 crore in FY 2017 as compared to Rs. 13.82 crore in FY 2016. Being an engineering company, the revenue of GMPL depends on the number of successful bids and the tenders being released in the financial.

- **Susceptibility of margins to raw material**

GMPL is susceptible to raw material prices majorly steel. Any change in the prices may adversely affect the margins of the company. Also, significant exposure to the steel industry exposes the company to the cyclical nature inherent in the steel industry.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of GMPL to arrive at the rating.

Outlook: Stable

Acuité believes that GMPL will continue to benefit over the medium term on account of the company's established presence in the steel industry and experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected revenues and cash accruals while maintaining the working capital cycle along with infusion of fresh funds by directors. Conversely, the outlook may be revised to negative in case the company's business risk profile weakens resulting in

lesser than expected revenues or profitability and lower-than-expected net cash accruals leading to significant stretch in the company's working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	29.87	13.82	22.84
EBITDA	Rs. Cr.	1.98	1.43	1.70
PAT	Rs. Cr.	0.48	0.09	0.30
EBITDA Margin	(%)	6.64	10.32	7.46
PAT Margin	(%)	1.60	0.63	1.31
ROCE	(%)	15.72	10.49	24.97
Total Debt/Tangible Net Worth	Times	0.98	1.37	1.25
PBDIT/Interest	Times	2.00	1.47	1.91
Total Debt/PBDIT	Times	2.54	4.41	3.39
Gross Current Assets (Days)	Days	150	360	239

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

ICRA, vide its press release dated May 15, 2018 had denoted the rating of Ghaziabad Mechfab Private Limited as '[ICRA]B+ (Stable)/A4 ISSUER NOT COOPERATING on account of non submission of monthly 'No Default Statement' ('NDS'). The earlier rating, however, stood at '[ICRA] B+ (Stable)/A4' vide its press release dated May 22, 2017.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A4+

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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.

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