

Press Release

Ghaziabad Mechfeb Private Limited (GMPL)

January 15, 2020

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and the 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 have been associated with client such as Delhi Metro Rail Corporation (DMRC), NTPC and Shiv Shankar Construction Private Limited to name a few.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of GMPL to arrive at the rating.

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. The company have been associated with client such as Delhi Metro Rail Corporation (DMRC), NTPC and Shiv Shankar Construction Private Limited to name a few.

• Improvement in operating income

The scale of operations have improved and stood at healthy levels with operating income at Rs.47.39 crore in FY2019 as compared to Rs.33.93 crore in FY2018. In the current financial year the company have earned a gross revenue of Rs.29.87 crore as on 30th November, 2019 and expected to achieve a revenue of Rs.56.00 crore by the end of the current financial year.

Weaknesses

• Average financial risk profile

The financial risk profile is average marked by average net worth and debt protection measures and high gearing. The net worth of the company stood at Rs.6.70 crore as on 31 March, 2019 as against Rs.6.08 crore as on 31 March, 2018. The gearing of the company is high at 1.92 times as on March 31, 2019 as against 1.02 times as on 31 March, 2018. The total debt as on 31 March, 2019 of Rs.12.84 crore consist of long term debt amounted to Rs.2.66 crore, unsecured loans from related party of Rs.5.21 crore and outstanding amount of cash credit facility of Rs.4.97 crore. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 4.27 times as on 31 March, 2019 as against 2.86 times as on 31 March, 2018. Interest Coverage Ratio (ICR) and Net Cash Accruals/Total Debt (NCA/TD) are moderate at 2.23 times and 0.09 times respectively in FY2019 as against 2.16 times and 0.18 times in FY2018.

Acuite believes that the financial risk profile of the company is expected to remain average backed by high working capital requirements which are likely to be funded by debt in the near term.

• Working capital intensive nature of operations

Despite of improvement, the operation of GMPL are working capital intensive marked by GCA days of 220 in FY2019 against from 198 in FY2018. This is on the account of realization of payments from customers marked

by debtor days of 80 in FY2019 as against 59 days in FY2018. The inventory holding period stood at 113 days in FY2019 as against 95 days in FY2018. The debtor days and inventory holding period is high, because of the elongated manufacturing process. Further, the company enjoys credit period of average 125 days for FY2019 which moderates the reliance on working capital borrowings.

Acuite believes that the efficient working capital management will be crucial to the GMPL in order to maintain a stable credit profile.

• 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 cyclicity inherent in the steel industry

Rating Sensitivity Factor

- Significant Improvement in revenue while marginal reduction in operating margin.

Material Covenants

None

Liquidity position: Adequate

The company has adequate liquidity profile marked by moderate net cash accruals as against no significant debt obligations. The company generated cash accruals of Rs.1.15 crore for FY2019, while there are no significant debt obligations for the same period. The cash accruals of the company are estimated to remain around Rs.1.65 crore to Rs.2.62 crore during FY2020-22 against CPLTD of Rs.0.89 crore each year for the same period. GMPL's working capital operations are intensive marked by gross current asset (GCA) of 220 days for FY2019. The company maintains unencumbered cash and bank balances of Rs. 2.34 crore as on 31 March, 2019. The current ratio stood at 1.50 times as on 31 March, 2019.

Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate net cash accruals against no significant debt repayments obligation over the medium term.

Outlook: Stable

Acuite believes that GMPL will maintain a 'Stable' outlook in the medium term on account of experienced management, long track record of operation and significant improvement in operating income. The outlook may be revised to 'Positive' if the company registers higher than expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the company registers lower than expected growth in revenues and profitability or if the financial risk profile deteriorates due to higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY19(Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	47.39	33.93
PAT	Rs. Cr.	0.62	0.63
PAT Margin	(%)	1.31	1.84
Total Debt/Tangible Net Worth	Times	1.92	1.02
PBDIT/Interest	Times	2.23	2.16

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entity - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>
Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
16-November-2018	Cash Credit	Long Term	5.50	ACUITE BB-(Indicative)
	Bank Guarantee	Short Term	7.00	ACUITE A4+(Indicative)
11-July-2017	Cash Credit	Long Term	5.50	ACUITE BB-/Stable (Assigned)
	Bank Guarantee	Short Term	7.00	ACUITE A4+ (Assigned)

***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	5.50	ACUITE BB-/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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