

## Press Release

Go Green Construction Solutions Private limited

October 10, 2018

Rating Assigned



|                                     |                            |
|-------------------------------------|----------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs. 15.00 Cr.              |
| <b>Long Term Rating</b>             | ACUITE B / Outlook: Stable |

\* Refer Annexure for details

### Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) to the Rs. 15.00 crore bank facilities of Go Green Construction Solutions Private Limited (GCSPL). The outlook is '**Stable**'.

GCSPL was incorporated in 2012 by Mr. Ganesh K Ahire, Mr. Rhishikesh Chopade, Mr. Bhushan Khairnar and Ms. Anita Khairnar. The company is engaged in the production of AAC blocks, an environment friendly product used in place of traditional clay in the construction industry. The manufacturing facility is located at Nashik (Maharashtra) with an installed capacity of 500 cubic meters per day. The company aims to provide quality AAC blocks to the developing cities and towns of Central India.

### Analytical Approach

Acuite has considered the standalone business and financial risk profiles of GCSPL to arrive at this rating.

### Key Rating Drivers

#### Strengths

- **Extensive industry experience of promoter's and growing scale of operations**

Mr. Ganesh Kashiram Ahire possesses experience of around four decades in the construction industry. The promoter's extensive experience is also reflected through the healthy revenue growth over the last 3 years through 2017-18. The company's revenue grew at a CAGR of 12.64 percent to Rs.18.45 crore over the aforementioned period. Further, the company has already booked revenue of ~Rs.9.00 crore from April, 2018 to August, 2018 (Provisional). The profitability margins have improved during the period. GCSPL registered PAT of Rs.1.18 crore in FY2018 (Provisional) as against net loss of Rs.1.45 crore in FY2017.

- **Healthy demand prospects for AAC blocks**

There is high demand for AAC blocks because of better insulation and heat rejection compared to conventional clay bricks. The primary raw material for AAC blocks is fly ash. This fly ash is industrial waste generated by coal-based thermal power plants and these blocks are considered environment friendly in nature.

- **Moderate working capital nature of operation**

The working capital management is marked by Gross Current Assets (GCA) of 109 days in FY2018 (Provisional) as against 118 days in FY2017. The company maintains inventory of around 15 days on an average and extends clean credit of around 100 days to its customers, resulting in moderate GCA levels. The inventory and debtor levels stood at 14 days and 102 days in FY2018 (Provisional) as against 13 days and 104 days in FY2017, respectively. As a result, the average utilisation of bank limits stood high at ~75 percent in the last six months. Acuite believes that the working capital requirements will continue to remain moderate over the medium term as evident from moderate collection mechanism.

## Weaknesses

### • Limited track record of operations

The company was incorporated in 2012 and commenced operations from December, 2014. The revenue and installed capacity are at modest levels i.e., Rs.18.45 crore and 500 cubic meters per day respectively in FY2018 (Provisional), especially in comparison with the larger players in the intensely competitive AAC blocks industry. The modest scale restricts pricing flexibility and bargaining power with suppliers and customers.

### • Average financial risk profile

The financial risk profile is average marked by below average net worth. The net worth of the company is below average at around Rs.4.71 crore as on 31 March, 2018 (Provisional) as against Rs.3.10 crore as on 31 March, 2017. The gearing of the company stood at 2.24 times as on March 31, 2018 (Provisional) as against 4.20 times as on 31 March, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.85 times as on 31 March, 2018 (Provisional) as against 5.12 times as on 31 March, 2017. Healthy operating margins have resulted in moderate debt protection measures. Interest Coverage Ratio (ICR) remained moderate at 3.88 times in FY2018 (Provisional) and 1.43 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.33 times as on 31 March, 2018 (Provisional) as against 0.07 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood at 1.04 times in FY2018 (Provisional) as against 0.83 times in FY2017.

Acuite believes that the financial risk profile of GCSPL will improve over the medium term on account of its improving scale of operations.

### • Susceptible to the cyclical nature of the end user industry – Real estate

GCSPL also remains exposed to the cyclicity inherent in real-estate sector, which may impact demand and realisations for AAC blocks.

## Outlook: Stable

Acuite believes that the outlook on GCSPL will remain 'Stable' over the medium term on account of its promoter's extensive experience. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

## About the Rated Entity - Key Financials

|                               | Unit    | FY18 (Provisional) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|--------------------|---------------|---------------|
| Operating Income              | Rs. Cr. | 18.45              | 14.03         | 12.91         |
| EBITDA                        | Rs. Cr. | 5.26               | 2.55          | 2.02          |
| PAT                           | Rs. Cr. | 1.18               | (1.45)        | (2.89)        |
| EBITDA Margin                 | (%)     | 28.49              | 18.15         | 15.66         |
| PAT Margin                    | (%)     | 6.41               | (10.33)       | (22.41)       |
| ROCE                          | (%)     | 19.02              | 1.36          | (3.40)        |
| Total Debt/Tangible Net Worth | Times   | 2.24               | 4.20          | 3.34          |
| PBDIT/Interest                | Times   | 3.88               | 1.43          | 0.87          |
| Total Debt/PBDIT              | Times   | 2.00               | 5.12          | 6.86          |
| Gross Current Assets (Days)   | Days    | 109                | 118           | 145           |

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

Not Applicable

## Any other information

None

## Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

## 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>

## 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 | 1.30                        | ACUITE B/ Stable (Assigned) |
| Term loans             | Not Applicable   | Not Applicable | Not Applicable | 4.21                        | ACUITE B/ Stable (Assigned) |
| Term loans             | Not Applicable   | Not Applicable | Not Applicable | 2.75                        | ACUITE B/ Stable (Assigned) |
| Proposed               | Not Applicable   | Not Applicable | Not Applicable | 6.74                        | ACUITE B/ Stable (Assigned) |

## Contacts

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## About Acuité Ratings & Research:

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