

Press Release

S N Goel

March 03, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE B+/Outlook: Stable (Assigned)
Short Term Rating	ACUITE A4 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and the short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 10.00 crore bank facilities of S N Goel (SNG). The outlook is '**Stable**'.

Madhya Pradesh-based SNG was established in 1971 by Late Mr. S.N. Goel and later in 2017 the constitution of the firm was changed to partnership. At present the firm is promoted by Mr. Durgesh Goel and Mr. Vipin Goel who are the sons of Mr. S. N. Goel. The firm undertakes civil construction contracts for the Madhya Pradesh government for construction of Roads, warehouses, hostels, schools, colleges and mandis.

Analytical Approach

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

Key Rating Drivers

Strengths

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

SNG is promoted by Mr. Vipin Goel and Mr. Durgesh Goel who are seasoned players in the infrastructure industry having an experience of around three decades each having being worked as builders in various projects. Further the firm is operating in the infrastructure industry since 1971 giving it a long track record of operations of nearly 5 decades. The experienced management coupled with the long track record of operations of the firm have enabled SNG in maintaining healthy long term relationships with their clients which are predominantly state government agencies.

Acuité believes that the firm will continue to benefit from its established presence in the aforementioned industry and the promoter's demonstrated ability to scale up the operations across various cycles.

Weaknesses

- **Intensive working capital management**

SNG has intensive working capital operations marked by high Gross Current Assets (GCA) of 345 days in FY2019 as against 697 days in FY2018. The GCA days are dominated by the high payment period offered to the customers as the same is reflected by the debtor collection period of 231 days in FY2019 as against 195 days in FY2018, respectively. Further the inventory levels of the firm stood low at 11 days in FY2019 as against 12 days in FY2018.

- **Average financial risk profile**

SNG's financial risk profile is average marked by modest net worth and modest total outside liabilities to total net worth (TOL/TNW) though underpinned by moderate debt protection metrics and average gearing (debt to-equity). The net worth increased to Rs.6.11 crore as on March 31, 2019 from Rs.5.66 crore. The gearing stood at 1.70 percent as on March 31, 2019 as against 1.18 percent in the

previous year. Total debt of Rs 10.37 consists of short term borrowings of Rs 5.21 Crore, long term debt of Rs 1.24 Crore and loans from promoters of Rs. 3.91 crore. The debt protection metrics is moderate as reflected by interest coverage ratio (ICR) and net cash accrual to total debt (NCA/TD) of 2.08 times and 0.07 times as on March 31, 2019.

Modest scale of operations

The scale of operations of the firm remained modest despite their presence in the industry since 1971 accounting for long track record of operations of nearly 5 decades. Same is reflected via their operating income of Rs. 13.43 crores in FY2019, Rs. 4.02 crores and Rs. 2.41 crores in FY2017 respectively.

Rating Sensitivity Factor

- Growth in revenue, while improvement in the profitability margins
- Elongation of working capital operations leading deterioration in financial risk profile and liquidity

Material Covenants

None

Liquidity Position: Stretched

SNG has stretched liquidity position marked by average net cash accruals to maturing debt obligations. The firm generated cash accruals of Rs. 0.76 crores during FY2019 against the maturing debt obligation of Rs. 0.70 crores for the same period. The cash accruals of SNG are estimated to be around Rs.2.97-1.75 crores against repayment obligations of around 0.54 crores for the period of 2020-22. The working capital limits of the firm remains utilized at around 90 per cent during the last six month period ended January 2020. The firm maintains unencumbered cash and bank balances of Rs.0.77 crore as on March 31, 2019. The current ratio of the firm stood moderate at 1.87 times as on March 31, 2019. Acuite believes that the liquidity of SNG is likely to remain stretched over the medium term on account of cash accruals against the repayment obligations over the medium term.

Outlook: Stable

Acuite believes that SNG will maintain a 'Stable' outlook over the medium term, owing to its promoters' extensive experience in the industry and long track record of operations of the firm. The outlook may be revised to 'Positive' in case the firm achieves more than envisaged sales and profitability, while sustaining its capital structure. Conversely, the outlook may be revised to 'Negative' if there is stretch in its working capital management or larger than-expected debt-funded capex or drop in profitability while penetrating into newer territories leading to deterioration of financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	13.43	4.02
PAT	Rs. Cr.	1.45	0.73
PAT Margin	(%)	0.65	0.16
Total Debt/Tangible Net Worth	Times	4.81	4.04
PBDIT/Interest	Times	1.70	1.18

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Entities In Infrastructure Sector - <https://www.acuite.in/view-rating-criteria-51.htm>

Note on complexity levels of the rated instrument

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

Rating History (Up to 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
Overdraft	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE B+/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4 (Assigned)

Contacts

Analytical	Rating Desk
Aditya Gupta Head- Corporate and Infrastructure Sector Tel: 022-49294041 aditya.gupta@acuite.in Nikhilesh Pandey Ratings Analyst - Rating Operations Tel: 011-49731304 nikhilesh.pandey@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

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.