Press Release

Babasaheb Bapusaheb Gunjate

July 06, 2020

Rating Assigned

Total Bank Facilities Rated*	Rs. 9.65 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' **(read as ACUITE B plus)** to the Rs. 9.65 crore bank facilities of Babasaheb Bapusaheb Gunjate (BBG). The outlook is **'Stable'**.

Established in 1994, Babasaheb Bapusaheb Gunjate (BBG) is a proprietorship firm engaged in the civil construction business in the state of Maharashtra. It carries out projects related to the construction of roads, footpaths, railways, agriculture, to name a few. The day-to-day operations are carried out by its proprietor, Mr. Babasaheb Gunjate. The firm also has a windmill in Sangli, Maharashtra with a capacity of 0.60 MW.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**
  BBG was established as a proprietorship concern in 1994. The day to day operations are managed by proprietor, Mr. Babasaheb Gunjate, who has an experience of over two decades in the infrastructure industry. On the back of the stable orders in hand, the revenues have seen a compound annual growth rate (CAGR) of about ~18.39 per cent over the past four years through FY2020 at Rs.38.23 crore (Provisional) in FY2020 as compared to Rs.26.58 crore in FY2019 as against Rs.22.54 crore in FY2018. The firm has an unexecuted order book position of about Rs.47.15 crore as on 31 March, 2020 (1.23 times of FY2020 revenues) shows adequate revenue visibility.

  Acuité believes that the firm will be benefitted over the medium term on the back of established presence in the infrastructure industry for more than two decades.

Weaknesses

- **Intensive working capital operations**
  The working capital operations of the firm are intensive as marked by high Gross Current Asset (GCA) of 145 days in FY2019 as against 106 days in FY2018. This is major because of the increase in the current asset to Rs.4.95 crore as on 31 March, 2019 from Rs.2.85 crore as on 31 March, 2018. The debtor days stood at 36 days as on 31 March, 2019 as against 49 days as on 31 March, 2018. The average bank limit utilisation stood at ~75 percent for the last six months ended May, 2020.
  Acuité believes that the working capital cycle of the firm will remain intensive due to the nature of the business.

- **Highly competitive and fragmented industry**
  The infrastructure industry is highly competitive and fragmented marked by the presence of many organised and unorganised players in this industry, thus putting pressure on the profitability margins of the company.

Liquidity Position: Stretched

The firm has stretched liquidity marked by moderate net cash accruals to meet its maturing debt obligations. It has generated cash accruals of Rs.1.02 to 2.65 crore during the last three years through 2017-19. The firm's working capital operations are intensive as marked by gross current asset (GCA) days of 145 in FY2019. This has led to high reliance on working capital borrowings; the cash credit limit remains utilized at ~75 percent during the last six months period ended May, 2020. The current ratio stood weak at 0.93 times as on 31 March, 2019. The firm maintains unencumbered cash and bank balances of Rs.2.47 crore as on March 31, 2019. Acuité believes that the liquidity of the firm is likely to remain stretched on account over the medium term.

Outlook: Stable

Acuité believes the outlook of the firm will remain 'Stable' on account of the company's established presence in the aforementioned industry. The outlook may be revised to 'Positive' if the firm achieves a sustained growth in revenues, profit margins and improves its capital structure. The outlook may be revised to 'Negative' in case the firm registers a significant decline in cash accruals or stretched working capital cycle resulting in further deterioration of its financial risk profile.

Rating Sensitivities

- Significant improvement in scale of operations along with profitability margins.
- Deterioration in financial risk profile and working capital operations of the firm.

Material Covenants

None

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	26.58	22.54
PAT	Rs. Cr.	1.81	1.49
PAT Margin	(%)	6.80	6.61
Total Debt/Tangible Net Worth	Times	1.64	1.18
PBDIT/Interest	Times	4.86	4.25

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
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-53.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-59.htm

Note on complexity levels of the rated instrument

https://www.acuite.in/view-rating-criteria-55.htm

Rating History (Upto last three years)

None.

*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	6.00	ACUITE B+ / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.65	ACUITE B+ / Stable

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Saurabh Rane Analyst - Rating Operations Tel: 02249294044 saurabh.rane@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:
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