

## Press Release

### Gangadhar Jena

April 07, 2021



### Rating Assigned

|                                     |                               |
|-------------------------------------|-------------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs.30.00 Cr.                  |
| <b>Long Term Rating</b>             | ACUITE BBB-/Stable (Assigned) |
| <b>Short Term Rating</b>            | ACUITE A3 (Assigned)          |

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and the short term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs.30 Cr bank facilities of Gangadhar Jena. The outlook is '**Stable**'.

The rating on Gangadhar Jena is driven by a comfortable business risk profile marked by steady growth in turnover levels and a moderate order book position. The rating is also supported by the management's long track record in the civil construction sector, its comfortable financial risk profile and adequate liquidity position. These strengths are, however, partly offset by the working capital intensity of the business.

### About the firm

Established in 2002, Gangadhar Jena (GJ) is an Odisha based proprietorship firm named after its proprietor. The firm is primarily engaged in construction work of residential schools, hostels, office buildings, bridges, road infrastructure for State Government departments of Odisha, Paradeep port trust and various public sector units. GJ is classified as Super Class Contractor under the department of Public Works Department (PWD), Government of Odisha.

### Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of Gangadhar Jena to arrive at the rating.

### Key Rating Drivers

#### Strengths

- Experienced management and long track record of operations**

The proprietor, Mr. Gangadhar Jena, who has more than two decades of experience in the construction industry, looks after the day to day operation of the firm. He is further supported by a team of experienced professionals. The long standing experience of the proprietor has helped them to establish comfortable relationships with their key suppliers. Acuité believes that the management's track record of operations will benefit the firm going forward, resulting in steady growth in the scale of operations.

- Healthy growth in revenue and moderate order book position**

GJ has achieved revenues of Rs.70.22 Cr in FY2020 as compared to revenues of Rs.43.85 Cr in FY2019, registering a y-o-y growth of 60.14 per cent. The growth in top line is on account of better order flow and execution resulting from Government's thrust in the infrastructure sector. The firm has achieved revenues of around Rs.51.82 Cr till January 2021 (Provisional). In addition to this, the firm has a moderate order book position to the tune of Rs.79.75 Cr as on 31<sup>st</sup> January, 2021. Acuité believes that the moderate order book position of the firm imparts comfortable revenue visibility over the medium term.

- Above average financial risk profile**

The firm's above average financial risk profile is marked by weak but improving networth, comfortable gearing and healthy debt protection metrics. The tangible net worth of the firm improved to Rs.16.22 Cr as on March 31, 2020 from Rs.15.55 Cr as on March 31, 2019. Gearing of the firm stood below unity at 0.71 times as on March 31, 2020 as against 0.72 times as on March 31, 2019. The debt of Rs.11.53 Cr mainly consists of working capital borrowing of Rs.9.08 Cr, term loan from bank of Rs.2.13 Cr and unsecured loans of Rs.0.33 Cr as on March 31,

2020. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.82 times as on March 31, 2020 as against 1.47 times as on March 31, 2019. The healthy debt protection metrics of the firm is marked by Interest Coverage Ratio at 2.75 times as on March 31, 2020 and Debt Service Coverage Ratio at 2.68 times as on March 31, 2020. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.30 times as on March 31, 2020 as compared to 0.29 times as on 31st March, 2019. Acuité believes that going forward the financial risk profile of the firm will remain at similar level backed by steady accruals and no major debt funded capex plans.

### Weakness

- **Moderate working capital management**

The moderate working capital management of the firm is marked by Gross Current Assets (GCA) of 107 days as on 31st March 2020 as compared to 134 days as on 31st March 2019. The increased GCA days are on account of high current assets due to earnest money deposits & security deposits of Rs.3.48 Cr. The debtor period stood at 82 days as on 31st March 2020 as compared to 106 days as on 31st March 2019. Further, the inventory holding is comfortable at 7 days as on 31st March 2020 as compared to 11 days as on 31st March 2019. Acuité believes that the working capital operations of the firm will remain almost at the same levels as the infrastructure sector is inherently working capital intensive.

### Rating Sensitivity

- Any deterioration in the capital structure resulting from capital withdrawal
- Ramp up in scale of operations while maintaining profitability margin
- Reduction in order flow

### Material Covenant

None

### Liquidity Profile: Adequate

The firm's liquidity position is adequate marked by the net cash accruals stood at Rs.3.49 Cr in March 31, 2020 as against no long term debt repayment over the same period. The unencumbered cash balance stood at Rs.13.45 Cr as on 31st March, 2020. The current ratio stood comfortable at 1.43 times as on March 31, 2020 as compared to 1.50 times as on March 31, 2019. However, the fund based limit remained fully utilised over the six months ended February, 2021. The firm has availed a Covid loan of Rs.2.7 Cr and a loan moratorium. The working capital management of the firm is moderate as reflected by Gross Current Assets (GCA) of 107 days in March 31, 2020 as against 134 days in March 31, 2019. Acuité believes that going forward, the firm will maintain adequate liquidity position due to steady accruals.

### Outlook: Stable

Acuité believes that the outlook on Gangadhar Jena will remain 'Stable' over the medium term on account of the long track record of operations, experienced management, comfortable business and financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue from the current levels while sustaining their financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue or operating margins or further elongation in its working capital cycle.

### About the Rated Entity - Key Financials (Standalone)

|                               | Unit    | FY20 (Actual) | FY19 (Actual) |
|-------------------------------|---------|---------------|---------------|
| Operating Income              | Rs. Cr. | 70.22         | 43.85         |
| PAT                           | Rs. Cr. | 2.47          | 2.08          |
| PAT Margin                    | (%)     | 3.52          | 4.75          |
| Total Debt/Tangible Net Worth | Times   | 0.71          | 0.72          |
| PBDIT/Interest                | Times   | 2.75          | 2.69          |

### Status of non-cooperation with previous CRA

- CARE, vide its press release dated Mar 19, 2021 had denoted the rating of Gangadhar Jena as 'CARE BB+/Stable/A4; ISSUER NOT COOPERATING'.
- CRISIL, vide its press release dated Feb 14, 2020 had denoted the rating of Gangadhar Jena as 'CRISIL B+/Stable/A4; ISSUER NOT COOPERATING'.

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.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/view-rating-criteria-55.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 | 9.00                        | ACUITE BBB-/Stable (Assigned) |
| Term Loan              | 11-Jul-2019      | 11.85%         | 31-Jul-2026    | 6.00                        | ACUITE BBB-/Stable (Assigned) |
| Bank Guarantee         | Not Applicable   | Not Applicable | Not Applicable | 15.00                       | ACUITE A3 (Assigned)          |

### Contacts

| Analytical  | Rating Desk  |
|---|--|
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### About Acuité Ratings & Research:

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