

Press Release

Ghai Construction Private Limited (Erstwhile Ghai Construction Li

June 17, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	19.00	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	52.50	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	71.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

*Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.71.50 Cr bank facilities of Ghai Construction Private Limited (Erstwhile Ghai Construction Limited) (GCPL). The outlook is '**Stable**'.

Rationale for rating reaffirmation:

The reaffirmation in the rating reflects the established track record operations of the company and experienced management along with improvement in the revenues in FY2022 with healthy order book position. Further, rating factors the moderate financial risk profile of the company with moderate working capital operations and adequate liquidity position marked by adequate cash accruals against repayment obligations & judicious utilization of the working capital limits. The rating, however, continues to remain constrained on account of fluctuating margins and competitive nature of industry due to tender based operations.

About the Company

Ghai Construction Private Limited (Erstwhile Ghai Construction Limited) (GCPL) is a Pune, Maharashtra based company incorporated in the year 1995 as a public limited company. Now, the company is converted into private limited company as on July 01, 2021. The directors of the company are Mr. Prakash Singh Ghai, Mr. Amarjit Singh Ghai, Mr. Rajendersingh Ghai, Mr. Prabhkirat Singh Ghai and Mr. Gurpreet Singh Ghai. The company is a government approved contractor enlisted as a 'Category-I' contractor with Central Public Works Department (CPWD) and Class-A Contractor with the Public Works Department (PWD). GCL's business includes infrastructure constructions like Roads, Highways, Railway Tracks and Urban Infrastructure.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of GCPL to arrive at the rating.

Key Rating Drivers

Strengths

>Established track record of operations and experienced management

Incorporated in the year 1995 as a public limited company and converted into private limited company in July, 2021, GCPL has a long track record of operation of around three decades. The company is promoted by the Ghai family led by Mr. Prakash Singh Ghai, Mr. Amarjit Singh Ghai, Mr. Rajendersingh Ghai, Mr. Prabhkirat Singh Ghai and Mr. Gurpreet Singh Ghai. The promoters have an experience of more than two decades in the aforementioned industry. The company is registered as Category-I contractor with CPWD and Class-A Contractor with PWD. The company is engaged in infrastructure construction like Roads, Highways, and Railway Tracks and Urban Infrastructure for various government authorities like RITES Limited, CPWD, PWD, etc. and also for non-government companies like L&T. The company has been able to establish long standing relationship with its client owing to extensive experience of the promoters and timely execution of the project. The turnover improved and stood at around Rs.75 crore in FY2022 due to healthy order book position. The Company has unexecuted healthy orders in hand worth Rs.424.22 crore as on March 31, 2022, which is expected to be executed in FY2023 & further. This gives adequate revenue visibility over the medium term. Acuité believes that the company will benefit from its experienced management and long track of operation.

>Moderate financial risk profile

Financial risk profile of GCPL is moderate marked by moderate gearing (debt to equity ratio) & total outside liabilities to total net worth (TOL/TNW) and moderate debt protection metrics. The gearing stood at 0.47 times as on March 31, 2021 against 0.42 times as on March 31, 2020. TOL/TNW stood at 0.69 times as on March 31, 2021 against 0.61 times as on March 31, 2020. Tangible net worth of the company stood modest at Rs.31.54 crore as on March 31, 2021 against Rs.30.31 crore as on March 31, 2020. Of the total debt of Rs.14.78 crore as on March 31, 2021, long-term debt stood at Rs.5.43 crore, short-term debt stood at Rs.4.14 crore, unsecured loans stood at Rs.2.11 crore and CPLTD stood at Rs.3.10 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt stood moderate at 4.61 times and 0.41 times respectively in FY2021; while DSCR stood at 1.81 times in FY2021. Acuité believes that the financial risk profile of the company is expected to remain moderate in the absence of any major debt funded capex in near to medium term.

>Moderate working capital operations

GCPL's working capital operations are moderate marked by Gross Current Asset days (GCA) of 93 days in FY2021 against 58 days in FY2020. The high GCA days are majorly due to high inventory and creditors days in FY2021 due to the impact of covid-19. The inventory days stood at 57 days in FY2021 against 18 days in FY2020. The debtors' days stood at 19 days in FY2021 against 17 days in FY2020. The creditors' days stood at 99 days in FY2021 against 22 days in FY2020. However, fund based limits remains utilized at 72.72 percent for last 6 months ended May, 2022. The average utilization of non-fund based limits is 56.09 percent for last 6 months ended May, 2022.

Acuité believes that the working capital operations are expected to improve over the medium term.

Weaknesses

>Tender based nature of business

The company deal with government organization and quotes for the contract on tender basis. Going forward the company's ability to successfully bid for greater number of large order will remain a key monitor able. However, the promoter's experience and relationship with the clients mitigates this factor to an extent.

>Competitive and fragmented nature of industry

The Company is engaged as civil contractor. The aforementioned industry is marked by the

presence of several mid to big size players. The company faces competition from the other players in the sectors which can impact its profitability and operations going forward. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts. However, this risk is mitigated to an extent on account of extensive experience of the management in the industry for over two decades.

>Fluctuating margins

The operating margin of the company stood at 11.57 percent in FY2021 as against 12.89 percent in FY2020. The fluctuations in margins is majorly due to the fluctuations in the steel prices. The net profit margin of the company stood at 3.36 percent in FY2021 as against 6.33 percent in FY2020. The low net profit margins in FY2021 is majorly due to increase in certain fixed costs which the company had to incur even during lockdown.

Acuité believes that the ability of the company to maintain stable margins will be key rating sensitivity.

Rating Sensitivities

- Growth in revenue with sustainability of the profitability margins.
- Any deterioration of its financial risk profile and liquidity position.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material covenants

None

Liquidity Position: Adequate

GCPL has an adequate liquidity position as reflected by adequate net cash accruals against moderate repayment obligations. The company generated cash accruals in the range of Rs.6.06 crore – Rs.8.75 crore during the last four years through FY2019-21 against moderate repayment obligations in the range of Rs.1.00 crore – Rs.3.10 crore during the same period. It is expected to generate cash accruals in the range of Rs.7.45 crore – Rs.15.18 crore over the medium term, against moderate repayment obligations in the range of Rs.0.56 crore – Rs.2.36 crore. Unencumbered cash and bank balances stood at Rs.0.50 crore as on March 31, 2021 with a current ratio of 1.31 times in the same period. Liquid investments stood at Rs.0.16 crore as on March 31, 2021. However, fund based limits remains utilized at 72.72 percent for last 6 months ended May, 2022. The average utilization of non-fund based limits is 56.09 percent for last 6 months ended May, 2022.

Acuité believes that liquidity profile is expected to remain adequate on account of adequate cash accruals against moderate repayment obligations.

Outlook: Stable

Acuité believes that GCPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its margins. Conversely, the outlook may be revised to 'Negative' in case the company registers lower than expected growth in revenues and profitability or deterioration in its working capital management or larger-than-expected debt-funded capex leading to deterioration in its financial risk profile and liquidity.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	67.50	93.15
PAT	Rs. Cr.	2.27	5.90
PAT Margin	(%)	3.36	6.33
Total Debt/Tangible Net Worth	Times	0.47	0.42
PBDIT/Interest	Times	4.61	6.30

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of 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**

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
24 Mar 2021	Secured Overdraft	Long Term	5.00	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	25.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	12.50	ACUITE A3+ (Reaffirmed)
	Secured Overdraft	Long Term	6.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BBB Stable (Reaffirmed)
26 Mar 2020	Bank Guarantee	Short Term	25.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Cash Credit	Long Term	8.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Bank Guarantee	Short Term	16.50	ACUITE A3+ (Upgraded from ACUITE A3)
	Cash Credit	Long Term	2.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
25 Apr 2019	Cash Credit	Long Term	8.00	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	25.00	ACUITE A3 (Reaffirmed)
09 Apr 2019	Term Loan	Long Term	5.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+)
	Bank Guarantee	Short Term	15.00	ACUITE A3 (Upgraded from ACUITE A4+)
04 Apr 2018	Cash Credit	Long Term	5.00	ACUITE BB+ (Issuer not co-operating*)
	Bank Guarantee	Short Term	15.00	ACUITE A4+ (Issuer not co-operating*)
23 Jan 2017	Cash Credit	Long Term	5.00	ACUITE BB+ Stable (Assigned)
	Bank Guarantee	Short Term	15.00	ACUITE A4+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A3+ Reaffirmed
ICICI Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	12.50	ACUITE A3+ Reaffirmed
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3+ Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BBB Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BBB Stable Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB Stable Reaffirmed

Note: Cash Credit from ICICI Bank includes sublimit of Bank Guarantee (Performance) to the extent of Rs.6.00 crore.

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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