

Press Release

R A Ghule

September 19, 2022

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.00	ACUITE B+ Stable Assigned	-
Bank Loan Ratings	44.22	-	ACUITE A4 Assigned
Total Outstanding Quantum (Rs. Cr)	56.22	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs.56.22 Cr. bank facilities of R A Ghule. The outlook is 'Stable'.

Rationale for rating assigned

The rating takes into consideration the established position of the firm in the water supply projects. It also takes into consideration the adequate liquidity position of the firm. However the ratings are constrained by the decline in the revenues, the moderate financial risk profile and working capital intensive operations of the firm.

About the Company

Incorporated in 1995, R A Ghule is a Palghar based company and is engaged in the construction of water supply pipes. The sole proprietor of the firm is Mr. Rajabhau A. Ghule.

Analytical Approach

Acuite has considered the standalone financial and business risk profiles of R A Ghule to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations

R A Ghule was incorporated in 1995 reflecting the established track record of operations of more than two and a half decades in the construction of water supply pipes business. The sole proprietor of the firm is Mr. Rajaram Ghule. The extensive experience of the proprietor has helped the firm to establish long and healthy relationships with its customers and suppliers over the years.

Acuite believes that the experience of the proprietor in the said line of business will help the firm in maintaining a healthy order book in near to medium term.

Weaknesses

Decline in the revenues

The firm has recorded an operating income of Rs.126.77 crores in FY2022(Prov) as against Rs.160.55 crores in FY2021. The operating margin of the firm improved and stood at 10.46 percent in FY2022(Prov) as against 8.37 percent in FY2021. The PAT margin of the firm improved and stood at 5.94 percent in FY2022(Prov) as against 4.00 percent in FY2021.

Acuité believes that the business risk profile of the company will remain a key sensitivity in the near to medium term.

Moderate financial risk profile

The financial risk profile of the firm stood moderate marked by moderate net worth, high gearing and moderate debt protection metrics. The tangible net worth stood at Rs.18.95 crore as on 31 March, 2022(Prov) as against Rs.16.36 crore as on 31 March, 2021. The increase in the networth is due to the accretion of profits in reserves. The total debt of the firm stood at Rs.45.48 crore which includes Rs.44.28 crore of long term debt, Rs.1.20 crore of unsecured loans as on 31 March, 2022. The gearing (debt-equity) stood high at 2.40 times as on 31 March, 2022(Prov) as compared to 2.75 times as on 31 March, 2021. Interest Coverage Ratio stood at 3.35 times for FY2022(Prov) as against 2.71 times for FY2021. Debt Service Coverage Ratio (DSCR) stood at 3.35 times in FY2022(Prov) as against 2.70 times in FY2021. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 5.62 times as on 31 March, 2022(Prov) as against 6.50 times on 31 March, 2021.

Acuité believes that the financial risk profile of the company is likely to remain moderate in the medium term.

Working capital intensive operations

The working capital management of the firm is intensive marked by GCA days of 169 days in FY2022(Prov) as against 127 days in FY2021. The debtor days stood at 30 days in FY2022(Prov) as against 25 days in FY2021. The inventory days stood at 6 days for FY 2022(Prov) as against 3 days for FY 2021. The creditors days stood at 202 days in FY2022(Prov) as against 175 days in FY2021. The high level of GCA days is on account high current assets arising out of deposits during the same period.

Acuité believes that the working capital management of the company will continue to remain a key rating sensitivity going ahead.

Rating Sensitivities

Significant improvement in scale of operations and profitability margins.

Any major debt funded capex affecting the financial risk profile of the firm.

Any stretch in the working capital cycle leading to increase of reliance on working capital borrowings and stretch in the liquidity position.

Material covenants

None

Liquidity position: Adequate

The firm has an adequate liquidity position marked by the net cash accruals of Rs.9.65 crores for FY22(Prov). The net cash accruals of the firm are estimated to remain around Rs.11.15-14.97 crore during 2023-25 period while its matured debt obligations is estimated to be in the range of Rs.4.81-4.87 crore for the period 2023-2025. The firm maintains unencumbered cash and bank balances of Rs.1.30 crore as on March 31, 2022. However the current ratio is below unity at 0.96 times as on March 31, 2022. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term.

Outlook: Stable

Acuite believes that R A Ghule will maintain a "Stable" outlook in the medium term and will continue to benefit over the medium term due to its experience management. The outlook may be revised to "Positive" if the company demonstrates substantial and sustained growth in its revenues and/or operating margins from the current levels while maintaining its capital structure through equity infusion. Conversely, the outlook may be revised to "Negative", if company generates lower-than anticipated cash accruals thereby impacting its financial risk profile, particularly its liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	126.77	160.55
PAT	Rs. Cr.	7.53	6.42
PAT Margin	(%)	5.94	4.00
Total Debt/Tangible Net Worth	Times	2.40	2.75
PBDIT/Interest	Times	3.35	2.71

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>
- 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:

Not applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Abhyudaya Cooperative Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	44.22	ACUITE A4 Assigned
Abhyudaya Cooperative Bank	Not Applicable	Term Loan	Not available	Not available	Not available	7.00	ACUITE B+ Stable Assigned
Abhyudaya Cooperative Bank	Not Applicable	Term Loan	Not available	Not available	Not available	5.00	ACUITE B+ Stable Assigned

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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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