



Press Release
GANPATI BUILDERS
May 24, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	22.70	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	148.30	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	171.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**Acuite BBB-**' (read as **ACUITE t riple B minus**) and short term rating of '**Acuite A3**' (read as **ACUITE A three**) on Rs. 171.00 crore bank facilities of Ganpati Builders (GB). The outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned takes into consideration the established track record of operations of the firm in the civil construction segment especially across Northeast India. The ratings also draw comfort from the sustained growth in scale of operations over the three year period ending FY2022 coupled with its healthy order book position and adequate liquidity position reflected in the company's moderate reliance on working capital limits. The operating income of the firm stood at Rs. 257.86 crore in FY23 (Est.) as against Rs.197.40 crore in FY22 and Rs. 111.63 crore in FY21 and has an unexecuted order book of Rs. 1,454.03 crore. However, these strengths are partially offset by its moderate financial risk profile, significant geographical concentration in its order book and inherent risk of tender based operations.

About the Company

Incorporated in 2013, Ganpati Builders is a partnership firm based out of Rajasthan and undertakes subcontracts and civil construction projects of roads and railways majorly for National Highway and Infrastructure Development Corporation Limited (NHIDCL) and PWD. The company is registered as a AA contractor with Rajasthan Government and Class A contractor with Uttarakhand government. The firm is promoted by Mr. Banwari Sharma, Mr. Om Sharma, Hans Sharma and Mr. Rajesh Sharma who have over a decade of experience in the industry.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Ganpati Builders to arrive at the rating.

Key Rating Drivers

Strengths

Extensive experience of the promoters and reputed counterparties

Incorporated in the year 2013, Ganpati Builders (GB) is has been executing civil construction contracts primarily in the Northeast India for the past decade. The firm is registered as a AA

contractor with Rajasthan Government and Class A contractor with Uttarakhand government. The firm is promoted by Mr. Banwari Sharma, Mr. Om Sharma, Hans Sharma and Mr. Rajesh Sharma who have over a decade of experience in the civil construction industry. With the help of extensive experience of promoters, the firm has been able to undertake various projects from reputed government clientele such as National Highway and Infrastructure Development Corporation Limited (NHIDCL) and PWD. Acuité believes that GB will continue to benefit from its established track record of operations and experienced promoters.

Strong operating performance and healthy order book position

The operating performance of the firm has seen a strong growth over the last four years with a compounded annual growth rate (CAGR) of 43.90 percent through 2023. The operating income of the firm stood at Rs. 257.86 crore in FY23 (Est.) as against Rs.197.40 crore in FY22 and Rs. 111.63 crore in FY21. The growth seen in the operating income comes at the back of improved execution of orders and successfully securing fresh orders. The firm has an unexecuted orderbook of Rs. 1,454.03 crore as on May 2023, which it expects to complete over the next three years thereby providing strong near term revenue visibility. The operating margins of the company has seen a consistent improvement over the last three years and stood at 20.87 percent in FY22 as against 19.98 percent in FY21 and 14.67 percent in FY20. The improvement in operating margins of the company is led by the improvement in operating income over the years. The PAT margins of the company stood at 9.83 percent in FY22 as against 14.23 percent in FY21 and 8.45 percent in FY20.

Acuité believes that the operating performance of the firm is likely to improve over near to medium term on account of the company's healthy order book position.

Moderate working capital operations

The working capital operations of the firm are moderate marked by GCA days of 184 days in FY22 as against 192 days in FY21 and 149 days in FY20. The GCA days are elongated on account of its inventory holding and debtor collection period along with the cash balance maintained by the firm. The billing cycle of the company is on a monthly basis and the firm recovers payment from the authorities with in a week. The debtor collection period has improved at 48 days in FY22 as against 69 days in FY21 and 22 days in FY20. The elongated debtor days is on account of higher billing in the last quarter of the financial year. The inventory holding period of the firm stood at 64 days in FY22 as against 90 days in FY21 and 106 days in FY20 and includes work in progress for which billing is yet to be done. While the GCA days are elongated it is supported by cash balance of Rs.22.98 crore as on March 31, 2022. The creditor days of the firm stood at 181 days in FY22 as against 211 days in FY21 and 238 days in FY20. The firm's reliance on bank limits is moderate with average utilization of fund bases limits at 44 percent and non-fund based limits at 75 percent for 12 months ended March 2023.

Acuité believes that the ability of the firm to manage its working capital operations will remain a key rating sensitivity over the medium term.

Weaknesses

Moderate financial risk profile

The financial risk profile of the firm is moderate marked by average tangible network, low gearing and healthy debt protection metrics. The tangible network of the firm stood at Rs.38.91 crore as on March 31, 2022 as against Rs. 20.80 crore as on March 31, 2021 and Rs.8.36 crore as on March 31, 2020. Strengthening of network is on account of increased accretion of profits to reserves. The total debt of the firm stood at Rs.56.02 crore as on March 31, 2022 as against Rs. 38.04 crore as on March 31, 2021 and Rs. 12.20 crore as on March 31, 2020. The firm purchases most of its machinery required for execution of the projects. The firm plans to avail additional machinery loans in the near to medium term. The gearing of the company has improved from its peak gearing levels 1.83 times as on March 31, 2021. The gearing has improved at 1.44 times as on March 31, 2022 and is likely to improve in the near to medium term despite the additional debt to be availed on account of increased accretion of profits to reserves. TOL/TNW stood at 3.67 times as on March 31, 2022 as against 4.16 times as on

March 31, 2021 and 5.29 times as on March 31, 2021.. The debt protection metrics of the company are healthy marked by debt service coverage ratio of 2.18 times as on FY22 and interest coverage ratio of 9.52 times as on FY22

Acuite believes the financial risk profile of GB is likely to improve over the near to medium term on account of healthy order book position thereby leading to improvement in operating performance.

Exposure to risks related to the tender-driven nature of the business, geographical concentration in revenues and orderbook

GB receives contracts for projects of National Highway and Infrastructure Development Corporation Limited (NHIDCL) and PWD. The firm also has high dependence on regular receipt of subcontracts from its counterparties. Further the firm's entire order book is concentrated in Northeast India. Also, given the cyclicity inherent in the construction industry, the ability to maintain profitability margin through operating efficiency becomes critical. Moreover, any delays in the project execution of current projects along with the delayed receipts from Government and site related issues are likely to result in higher working capital requirements and moderation in scale of operations.

Acuite believes that timely execution of projects and the ability of the firm to maintain the scale of operations with the current level of profitability would be the key rating sensitivity factor over the medium term.

Rating Sensitivities

- Significant deterioration in scale of operations with delay in project execution and limited fresh orders
- Deterioration in working capital operations leading to stretched liquidity

Material covenants

None

Liquidity Position Adequate

The liquidity of the firm is adequate marked by adequate net cash accruals to meet its debt service obligations. The net cash accruals of the company stood at Rs. 27.18 crore in FY22 as against debt service obligation of Rs. 10.05 crore during the same tenure. The net cash accruals of the company are likely to remain adequate to meet its debt service obligations. The firm's reliance on bank limits is moderate marked by the average utilization of fund bases limits at 44 percent and non-fund based limits at 75 percent for 12 months ended March 2023. The firm maintains an unencumbered cash and bank balance of Rs. 22.98 crore as on March 31, 2022.

Acuite believes that the liquidity of the firm is likely to remain adequate over the medium term on account of healthy cash accruals against its maturing debt obligations.

Outlook: Stable

Acuite believes that the GB will continue to maintain a 'Stable' outlook over near to medium term owing to its experienced promoters and healthy order book, The outlook may be revised to 'Positive' in case the company achieves sustained growth in its revenues from the current levels while improving its profitability and significant improvement in execution of projects and securing fresh tenders. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and operating profit margins on account of delayed execution of projects, deterioration in order book position or liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	197.40	111.63
PAT	Rs. Cr.	19.40	15.89
PAT Margin	(%)	9.83	14.23
Total Debt/Tangible Net Worth	Times	1.44	1.83
PBDIT/Interest	Times	9.52	9.81

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

None

Any other information

Not applicable

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History :

Not applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	17.00	ACUITE A3 Assigned
Kotak Mahindra Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A3 Assigned
A U Small Finance Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	37.00	ACUITE A3 Assigned
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	39.80	ACUITE A3 Assigned
Yes Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	24.50	ACUITE A3 Assigned
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB- Stable Assigned
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE BBB- Stable Assigned
HDFC Bank Ltd	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	2.85	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.10	ACUITE BBB- Stable Assigned
Yes Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	0.50	ACUITE BBB- Stable Assigned
ICICI Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE BBB- Stable Assigned
A U Small Finance Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	4.25	ACUITE BBB- 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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