



Press Release
GANADHIPATI CONSTRUCTION PRIVATE LIMITED
September 05, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	3.25	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	43.75	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	47.00	-	-

Rating Rationale

Acuite 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. 47.00 crore bank facilities of Ganadhipati Construction Private Limited (hereinafter referred to as "GCPL"). The outlook is '**Stable**'.

Rationale for rating:

The rating factors in approximately three decades of experience of the management, improved and comfortable financial risk profile as can be seen from constantly improving net worth, leverage and coverage indicators, growth in business operations of the company the turnover of the company stood at Rs. 108.53 Cr. in FY23 (Prov.) as compared to Rs. 76.89 Cr. in FY22 however it is still lower than the FY21, improvement in profitability position of the company as can be seen from EBITDA margin which stood at 29.22% in FY23 (Prov.) as compared to 12.72% in FY22. The above factors are underpinned by the competitive and fragmented industry with tender based business operations, high customer concentration, geographical concentration and moderate scale of operations.

About the Company

Incorporated in the year 1998, Ganadhipati Construction Private Limited (GCPL) is a Bihar based company engaged in civil construction activities related to water supply in Bihar and adjacent states under Jal Jeevan Hariyali Mission of Bihar and Jal Jeevan Mission of Central Government. The company started its operations in 2018. The Directors of the company are Mr Janardan Prasad, Ms. Leelawati Prasad and Ms. Preeti Kumari. Mr. Janardan Prasad has an experience of almost three decades in the industry.

Analytical Approach

ACUITE has considered the standalone business and financial risk profile of the company to arrive at this rating.

Key Rating Drivers

Strengths

Experienced Management and long track record of operation:

Ganadhipati Construction Private Limited a Patna (Bihar) based company was incorporated on 13th August 1998 and started operation in 2018. The management of the company has more than three decades of experience in the same line of business through his proprietorship

company JP Enterprises. The long standing track record of the management has enabled the company to leverage upon the relationship built with the government departments and

suppliers which resulted into a healthy order book position of the company.

Comfortable financial risk profile

The financial risk profile of the company is comfortable marked by constantly improving net worth, leverage and coverage indicators of the company. The net worth of the company stood at Rs. 71.86 Cr. on 31st March 2023 (Prov.) as compared to Rs. 47.00 Cr. as on 31st March 2022 the improvement in net worth is on account of accretion of profit to reserve. The leverage position of the company has improved and remained comfortable in FY23 which is apparent from the debt/equity, TOL/TNW and debt/EBITDA position of the which stood respectively at 0.13x, 0.38x and 0.29 times on 31st March 2023 (Prov.) (PY: 0.26x, 0.50x & 0.99x respectively). Further, the coverage indicator of the company remained strong in FY23 as can be seen from ICR & DSCR of the company which stood at 20.62 times & 7.19 times respectively (PY: 9.71x & 8.38x respectively).

Efficient working capital management

The company has efficient working capital management reflected by GCA days of 99 days in FY23 improved from 122 days in FY22. The improvement in GCA days is due to efficient inventory holding period of 5 days and no debtors as on 31st March 2023 (Prov.). Acuite, expects that the working capital management of the company will continue to be efficient in the medium term.

Improvement in turnover and profitability position of the company

The operating performance of the company improved in FY23 (Prov.) vis-à-vis FY22 as can be seen from it's turnover growth of 41.15%. The turnover of the company stood at Rs. 108.53 Cr. in FY23 as compared to Rs. 76.89 Cr. in FY22 however it still remain lower than the FY21 and is at a modest scale of operation. The growth in revenue is resultant of completion of 17 projects in the month of February & March 2023. The profitability position of the company saw a sharp improvement in FY23 (Prov.) and EBITDA margin stood at 29.22% as compared to 12.72% in FY22. The reason for such sharp improvement is better absorption of fixed cost and the major cost for RM being incurred in the previous year hence the proportion of RM Cost to revenue going significantly down in the FY23 (Prov.).

Comfortable order book position

The order book position of the company is comfortable at Rs. 296.60 Cr. i.e. 2.73 times of the current turnover giving sufficient revenue visibility for the medium term.

Weaknesses

Customer & Geographical Concentration Risk

The company has high customer concentration risk as 98% of the revenue is coming from only one customer i.e. Bihar Urban Infrastructure Development Corporation Limited (BUIDCO). Further the company is operating in a single state. However the company is trying to dilute the risk as can be seen from the order book of the company wherein the company has got an order of ~ Rs. 90 Cr. from UP Jal Nigam in the state of Uttar Pradesh.

Competitive and fragmented industry with tender based operations

GCPL is engaged as an EPC contractor for water supply infrastructure projects. The company faces intense competition from the presence of several mid to large sized players in the said industry. The risk becomes more pronounced as tendering is based on minimum amount of bidding on contracts. However, in face of such competitive pressures, Acuite believes that GCPL is well positioned on account of strong orderbook, its longstanding relationship with the government department in the industry and the long track-record and experience of its promoters spanning nearing three decades.

Rating Sensitivities

Improvement in topline of the company while maintaining profitability

Maintaining the debt equity ratio below unity

Any deterioration in the working capital management resulting into liquidity stretch

Any dip in the revenue of the company

All Covenants

None

Liquidity Position

Adequate

The liquidity position of the company is adequate as can be seen from NCA of the company which stood at Rs. 26.19 Cr. in FY23 (Prov.) against debt obligation of Rs. 2.26 Cr. for the same period. The NCA of the company is expected to remain in the range of Rs. 28-30 Cr. during FY24 & FY25 against repayment obligation of Rs. 3.16 Cr and 7.63 Cr. in the same period. The company's fund based limit of Rs. 3.25 Cr. remained utilized at a low level of 13.05% in past 16 months ending 31st July 2023. The non-fund based limit of Rs. 43.75 Cr. remained fully utilized as on 18-08-2023. Further, the company had cash and cash equivalent of Rs. 12.17 Cr. as on 31st March 2023. The company also has FD of Rs. 30.80 Cr. out of which Rs. 20.43 Cr. is free and will be used for taking BG against FD as and when required.

Outlook: Stable

Acuité believes that GCPL will maintain a 'Stable' outlook and will continue to derive benefits over the medium term due to extensive experience of promoters, comfortable order book position and established relation with counterparties. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in the working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	108.53	76.89
PAT	Rs. Cr.	24.85	8.60
PAT Margin	(%)	22.90	11.19
Total Debt/Tangible Net Worth	Times	0.13	0.26
PBDIT/Interest	Times	20.62	9.71

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

ICRA vide its PR dated 12 July 2022 has flagged the case as Issuer Not Cooperating.

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.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
Union Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A3 Assigned
ICICI Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	3.75	ACUITE A3 Assigned
Union Bank of India	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BBB- Stable Assigned
ICICI Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	1.25	ACUITE BBB- Stable Assigned

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Sushant Kumar Mishra Senior Manager-Rating Operations Tel: 022-49294065 sushant.mishra@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.