



Press Release
GAYATRI AGENCY
November 16, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	45.00	ACUITE BB Stable Assigned	-
Bank Loan Ratings	15.00	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	60.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A Four Plus**) on the Rs. 60.00 Cr bank facilities of Gayatri Agency (GA). The outlook is '**Stable**'.

Rationale for rating Assigned

The rating assigned takes into account improved operating performance of the company marked by improved revenues, range bound margins and moderate financial risk profile. The revenue of the firm has improved to Rs. 53.03 Cr in FY2023 (Prov) as against Rs.36.96 Cr in FY2022. Also, the rating takes into account the moderate order book outstanding of Rs.77 Cr as of October 2023 which also shows revenue visibility in the medium term. Further, the rating considers extensive experience of the proprietor, sound operating efficiencies, well established customer base, along with adequate liquidity position. These strengths are partially offset by its working capital intensive nature of operations along with susceptibility to tender-based operations.

About the Company

The Odisha based Gayatri Agency (GA), was established as a proprietorship firm in 1999 by Ms. Smruti Ranjan Biswal. The firm is engaged in execution of electrical and civil contract works. Firm undertakes electrical turnkey projects and provides engineering services for power, process, industrial and commercial projects, both high and low tension, for public and private sector undertakings.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Extensive experience of the promoter with reputed clientele base

The promoters have more than two decades of experience in the undertaking electrical and civil contract works, their strong understanding of market dynamics and established

relationships with suppliers and customers has helped the firm to get tenders on a regular basis. The firm has reputed customer base including East Coast Railway, Tata Power Odisha

Distribution Company Limited (TPODCL), Industrial Development Corporation (IDCO), Bhopal Port Limited (BPL) among others.

Acuite believes that comfort from the long experience of the management and believes this will benefit the company going forward, resulting in steady growth in the scale of operations.

Steady Business Risk profile

The firm witnessed a significant improvement in its scale of operations marked by operating income of Rs.53.03 Cr in FY2023 (Prov) as against Rs. 36.96 Cr in FY2022 and Rs. 26.05 Cr in FY2021, registering a y-o-y growth of ~43%, led by increase in execution of orders. The EBITDA Margin increased to 12.41 percent in FY2023 (Prov) as against 12.18 percent in FY2022 and 11.63 percent in FY2021 due to better project mix and availability of price escalation clause with the counter party. The PAT Margin improved to 5.78 percent in FY2023 (Prov) vis-à-vis 5.16 percent in FY2022. Further, the company has achieved Rs.25 Cr till September 2023 and is expected to achieve around Rs.65 Cr for FY2024 supported by the outstanding order book worth Rs.77 Cr as of October 2023.

Financial Risk profile

The firm's above average financial risk profile is marked by moderate albeit improving net worth, low gearing and comfortable debt protection metrics. The tangible networth of the firm improved to Rs.24.37 Cr as on March 31, 2023 (Prov) as against Rs. 22.07 Cr as on March 31, 2022 and Rs. 15.97 Cr as on March 31, 2021 due to infusion of equity capital by the promoter. Gearing of the firm stood at 1.04 times as on March 31, 2023 (Prov) as against 0.77 times as on March 31, 2022 and 0.73 times as on March 31, 2021. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.50 times as on March 31, 2023 (Prov) as against 1.10 times as on March 31, 2022 and 1.22 times as on March 31, 2021. The strong debt protection metrics of the firm is marked by Interest Coverage Ratio (ICR) which stood at 5.08 times as on March 31, 2023 (Prov) as against 4.30 times as on March 31, 2022 and Debt Service Coverage Ratio (DSCR) at 3.86 times as on March 31, 2023 (Prov) as against 3.33 times as on March 31, 2022. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.17 times as on March 31, 2023 (Prov) as against 0.16 times as on March 31, 2022.

Acuite believes that going forward the financial risk profile of the firm is expected to be backed by improving accruals and no major debt funded capex plans.

Weaknesses

Working Capital Intensive Nature of operations

The working capital-intensive nature of operation of the firm is marked by Gross Current Assets (GCA) days of 244 days in FY2023 (Prov) as against 263 days in FY2022 and 277 days in FY2021. The high GCA days is mainly on account of significant security deposits, margin money and retentions kept with the tendering authorities. Moreover, the elevated Inventory holding is on account of raw materials and work-in-progress. The Inventory period stood at 67 days in FY2023 (Prov) as against 92 days as on March 31, 2022 and 18 days as on March 31, 2021. However, the debtor period stood at 78 days in FY2023 (Prov) as against 47 days in FY2022 and 106 days in FY2021. Further, the average utilization of the fund-based limits stood approx. at 95% of the sanctioned amount and for Non-fund based stood at around 90% for the past 6 months ending October 2023.

Acuite believes that the working capital requirement is likely to remain at similar levels in the near to medium term.

Highly fragmented and competitive industry

The industry is marked by presence of large number of organized and unorganized players. The industry is intensely competitive and fragmented because of low entry-barriers and moderate capital requirements. The high competitive intensity limits the pricing flexibility and pressurizes the margins of all the participants. However, the established brand presence, reputed customer base and experienced management mitigates the risk to some extent.

Tender Based Business

Revenue and profitability entirely depend on the ability to win tenders. Also, entities in this segment face intense competition, thus requiring bidding aggressively to get contracts, which

restricts the operating margin to a moderate level. Also, given the cyclical nature inherent in the construction industry, the ability to maintain profitability margin through operating efficiency becomes critical.

Rating Sensitivities

- Substantial improvement in scale of operation while maintaining profitability margins.
- Elongation in working capital cycle leading to higher reliance on working capital limits.

All Covenants

Not Available

Liquidity Position

Adequate

The firm's liquidity is adequate marked by net cash accruals of Rs. 4.17 Cr in FY2023 (Prov) against long term debt obligations of Rs.0.25 Cr in the same period. The cash accruals of the company are estimated to be in the range of around 5.75 Cr to Rs.6.88 Cr during 2024-25 as against Rs. 0.32 Cr of long term debt obligations in the same period. The cash and bank balances stood at Rs. 0.39 Cr as on March 31, 2023 (Prov) as against Rs. 1.02 Cr as on March 31, 2022 and Rs. 0.15 Cr as on March 31, 2021. Further, the Current ratio stood at 1.72 times as on March 31, 2023 (Prov) as against 2.29 times as on March 31, 2022 and 2.02 times as on March 31, 2021. However, the working capital-intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 244 days in FY2023 (prov) as against 263 days in FY2022 and 277 days in FY2021. Acuité believes that going forward the firm will maintain adequate liquidity position due to steady accruals.

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Outlook: Stable

Acuité believes that GA will continue to maintain a 'Stable' outlook over the medium term owing to its experienced and technically qualified management. The outlook may be revised to 'Positive' if the company reports significant improvement in revenue and scale of operations while maintaining the operating profitability, leading to higher cash-accruals. Conversely, the outlook may be revised to 'Negative' if the firm registers decline in revenue and profitability leading to lower than expected cash accruals or deterioration in the financial risk profile, or higher than expected working capital borrowings.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	53.03	36.96
PAT	Rs. Cr.	3.06	1.91
PAT Margin	(%)	5.78	5.16
Total Debt/Tangible Net Worth	Times	1.04	0.77
PBDIT/Interest	Times	5.08	4.30

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

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 Available

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	10.40	ACUITE A4+ Assigned
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	11.00	ACUITE BB Stable Assigned
A U Small Finance Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE BB Stable Assigned
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	4.60	ACUITE A4+ Assigned
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE BB Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	22.00	ACUITE BB 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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