



Press Release

G.S. Developers and Contractors Pvt Ltd
August 07, 2020

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings Assigned	Rating Action
1	Fund Based Limit-Long Term	5.50	IVR BB-/Stable (IVR Double B Minus with stable outlook)	Assigned
2	Non Fund Based-Short Term	15.00	IVR A4 (IVR A Four)	Assigned
	Total	20.50		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of G.S. Developers and Contractors Pvt Ltd derives comfort from its experienced promoters, majority of fleet of equipment is owned by GSDC; leading to operational efficiency and improvement in capital structure and debt protection metrics. However, the rating strengths are partially offset by susceptibility of operating margin to volatility in input prices albeit comfort due to presence of escalation clause, modest scale of operations. The rating also considers its working capital intensive operations.

Key Rating Sensitivities

Upward Rating Factors

- Sustenance of growth in scale of operations with improvement in profitability
- Steady flow of orders & timely execution of the same on a sustained basis
- Containment of operating costs in the wake of increasing competition

Downward Rating Factors

- Elongation in working capital cycle
- Any deterioration in liquidity profile on a sustained basis



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced Promoters**

The promoters, the Singh family has long standing experience in the construction sector Mr. Gurmit Singh (Managing Director), is an engineer by profession having an experience of over 35 years. Mr. Avneet Singh (Director is a graduate, having experience of over three decades in business. Established relationship with suppliers and customers has helped to improve revenue and sustain operations during adverse business cycles. The company has acquired strong engineering acumen in irrigation projects through its successful operations over the years.

- **Majority of fleet of equipment is owned by GSDC; leading to operational efficiency**

GSDC has continuously added to its fleet of plant and machinery to complete the orders on time. The company has a large fleet of owned equipment including dumpers, tankers, crushers, transit mixers.

- **Improvement in capital structure and debt protection metrics**

The capital structure of the company witnessed improvement as on the account closing dates of the past three fiscals ended on FY20 (Provisional). The overall gearing remained adequate at 0.44x as on March 31, 2020 improved from 1.17x as on March 31, 2019. Further, total indebtedness of the company as reflected by TOL/ANW remained moderate at 4.72x as on March 31, 2020 improved from 12.59x as on March 31, 2019. The debt protection metrics of the company also remained comfortable as witnessed by the interest coverage which stood at 4.28x in FY20. Infomerics expects that the financial risk profile of the company will continue to remain moderate in the near term.

Key Weaknesses

- **Susceptibility of operating margin to volatility in input prices albeit comfort due to presence of escalation clause**

Major raw materials used by the company steel, cement and high fuel and labor charges which are usually sourced from large players at proximate distances. The input prices are generally volatile and consequently the profitability of the company remains susceptible to



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fluctuations. However, a presence of escalation clause in most of the contracts imparts comfort to an extent.

- **Modest scale of operations**

Although the operating revenue of the company is increasing but the scale of the company is likely to be small in an intensely competitive industry. The operating revenue of the company stood at Rs. 45.61 crore in FY20

- **Working Capital Intensive Operations**

The average collection period for FY20 is 201 days and inventory holding period is 45 days. This implies working capital intensive operations where much of the company's cash is locked up with the customers due to long term projects. On average, the firm takes around 221 days to pay its suppliers. Also, the average utilization of the working capital facility stood at 90% for 12 months ending April, 2020.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

The liquidity profile of GSDC is expected to remain adequate marked by its adequate cash accruals vis a- vis its negligible debt repayment obligations in the near term. Moreover, the company has no debt availment plan in the near term which imparts further comfort. The average utilization of its fund based limits during the twelve months ended April 2020 remained high at ~90% indicating higher dependency on working capital limits. The company has sufficient gearing headroom due to its adequate capital structure.

About the Company

GS Developers & Contractors Pvt. Ltd. (GSDC) was formed in 1987. The Company undertakes civil works, structural works, Industrial Flooring, water proofing, sanitary works & electric works. Shri Iqbal Singh, was the Founder Chairman of the Company and was actively associated in construction works for fifty years. After him his son Mr. Gurmit Singh



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Rangar took charge of the company. He is currently the Managing Director and has been handling the affairs of the company.

Financials (Standalone):

For the year ended* As on	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	39.37	45.61
EBITDA	4.65	5.32
PAT	1.42	6.87
Total Debt	5.45	5.07
Tangible Net worth	-12.8	-5.89
EBITDA Margin (%)	4.7	11.53
PAT Margin (%)	3.55	13.39
Overall Gearing Ratio (x)^	1.17	0.44

*classification as per Infomerics standard

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Over Draft	Long Term	5.50	IVR BB-/Stable Outlook	-	-	-
2.	Bank Guarantee	Short Term	15.00	IVR A4	-	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Overdraft	-	-	-	5.50	IVR BB-/Stable
Short Term Bank Facilities – Bank Guarantee	-	-	-	15.00	IVR A4



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