

Press Release

G Shankar

October 14, 2020

Rating

Facilities	Amount (Rs. crore)	Rating	Rating Action
Long term Bank Facilities	190.00*	IVR BBB/Positive Outlook (IVR Triple B with Positive Outlook)	Assigned
Short term Bank Facilities	200.00	IVR A3+ (IVR A Three Plus)	Assigned
Total	390.00 (Three Hundred and Nifty Crore)		

**Rs. 60 crores of facilities are on proposed basis*

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of G Shankar (GS) derives comfort from long track record of the promoter in the business, reputed clientele coupled with comfortable operating cycle, comfortable financial risk profile and strong order book position reflecting the visibility of near-term revenue generation. These rating strengths are partially offset by concentration risk due to limited clientele, low bargaining power with its clients, and risks inherent in the sole proprietorship concerns.

Key Rating Sensitivities

Upward factors

- Consistent growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals which is significantly higher could lead to a positive rating action.

Downward factors



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- Dip in operating income and/or profitability impacting the debt coverage indicators or liquidity, subdued industry scenario could lead to a negative rating action.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long track record of the promoter in the business

G Shankar is a proprietorship firm incorporated in year 1990 by Mr. Gundmi Shankar. GS firm is based out of Udupi district of Karnataka. Mr. Gundmi Shankar having vast experience of over three decades in civil construction have led the firm to record significant growth in scale of operations of 21.58% over last two fiscals.

Reputed clientele coupled with comfortable operating cycle

GS firm caters to the demand of various departments under govt. of Karnataka namely Vishweshwarayya Jala Nigam Ltd., Krishna Bhagya Jala Nigam Ltd. Karnatka Niravari Nigam ltd., Minor Irrigation Dept. and other government bodies working under irrigation sector. GS firm has monthly invoice system leading to low collection period and secured payment structure due to presence of govt. clientele. However, company receives moderate time to repay the dues to the creditors. comfortable collection period of 45 days coupled with minimal inventory requirement of 15 days and moderate credit period of 92 days has led to negative operating cycle of 32 days.

Comfortable financial risk profile

The financial risk profile of GS firm is healthy marked by its healthy net worth, moderate gearing with minimal presence of long-term debt in the capital structure and healthy debt protection metrics. The tangible net worth stood healthy at Rs. 221.46 crore as on March 31, 2020. Debt equity stood comfortable at 0.04 times as on March 31, 2020 as compared to 0.26 times as on March 31, 2019. Overall gearing ratio improved from 1.00x as on March 31, 2019 to 0.57x as on March 31, 2020. Total indebtedness of the company as reflected by TOL/TNW also remained moderate at 1.94x as on March 31, 2020. The interest coverage ratio stood healthy at



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5.76 times in FY20 improved from 4.15x in FY19. Total debt to GCA also remained comfortable at 2.73 years in FY20 (4.17 years in FY19). Going forward, Infomerics believes the financial risk profile of GS firm to remain healthy on the back of expected improvement in its cash accruals.

Strong order book position reflecting the visibility of near-term revenue generation

GS firm has reported the order book of Rs. 4870.88 crore out of which projects of amount aggregating to Rs.1279.96 Cr are expected to be completed within FY21. Presence of a healthy order book indicates a near to medium term revenue visibility.

Key Weaknesses

Concentration risk due to limited clientele

GS firm generates the revenue primarily from the civil construction for irrigation projects under the government of Karnataka leading to concentration risk due to limited clientele. However, strong track record of the firm and healthy order book imparts comforts towards the near-term revenue visibility.

Low bargaining power with its clients

The company has low bargaining power in terms of pricing and credit terms as most of its clients are government companies and orders are tender driven.

Risks inherent in the sole proprietorship concerns

Given its sole proprietorship nature, GS remains exposed to risk of capital withdrawals and adverse impact of the same on its capital structure.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Sector

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

The liquidity position of the GS firm is adequate marked by the sufficient expected gross cash accruals to meet the debt obligations. Healthy ordered book position coupled with consistency in

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profitability metrics of the firm provides the visibility for the near-term cash accruals. Further, firm has reported average working capital utilization for the last 12 months ended at August, 2020 at around 61% reflecting adequate cushion to meet incremental working capital requirements.

About the Company

G Shankar (GS) is proprietorship firm established in 1990 by Mr. Gundmi Shankar. GS is class-I PWD contractor engaged into execution of civil construction for irrigation projects primarily for Government of Karnataka under various schemes. Mr. Gundmi Shankar is also the director and promoter of Shamili Hydel Power Project Limited incorporated in 2006, engaged in the power generation through hydel power plant situated on the bank of Virahi river with the power generation capacity of 12 MW per hour. G Shankar also has venture in other verticals of power generation business such as hydel and solar power generation plants.

Financials (Standalone):

(Rs. crore)

For the year ended*	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	1104.56	1005.11
EBITDA	91.85	74.10
PAT	36.50	33.78
Total Debt	202.78	125.80
Tangible Net worth	203.19	221.46
EBITDA Margin (%)	8.32	7.37
PAT Margin (%)	3.29	3.33
Overall Gearing Ratio (x)	1.00	0.57

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Issuer not cooperating by CRISIL, vide press release dated Feb 13, 2020 due to non-availability of information.

Any other information: Nil

Rating History for last three years:

Sr.	Name	of	Current Rating (Year 2020-21)	Rating History for the past 3 years
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No.	Instrument/Facilities	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.	Cash Credit	Long Term	175.00*	IVR BBB / Positive	-	-	-
2.	Term loan	Long Term	15.00#	IVR BBB / Positive	-	-	-
3.	LC/BG	Short Term	200.00	IVR A3+	-	-	-

* Rs. 55.00 crore of facilities are on proposed basis

Rs. 5.00 crore of facilities are on proposed basis

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-Cash Credit	-	-	-	120.00	IVR BBB / Positive
Long Term Bank Facilities-Term loan	-	-	May, 2022	10.00	IVR BBB / Positive
Long Term Bank Facilities-Proposed	-	-	-	60.00	IVR BBB / Positive
Short Term Bank Facilities-LC/BG				200.00	IVR A3+