



Press Release

Gour Road Tar Coat Private Limited (GRTCPL)

December 26, 2020

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	10.00* (Enhancement from INR 7.00 Crore)	IVR BBB-/ Stable; (IVR Triple B Minus with Stable Outlook)	Reaffirmed
Short Term Bank Facilities	90.00** Enhanced from INR 63.00 Crore)	IVR A3 (IVR A Three)	Reaffirmed
Total	100.00 (One Hundred)		

*Including Proposed limit of INR 3.00 Crore

**Including Proposed limit of INR 27.00 Crore

Details of Facilities are in Annexure 1

Detailed Rationale

The rating continues to derive strength from Long Operational Track Record; Experienced Management, Reputed Clientele, Robust Financial Risk Profile, Good Order Book Position, Past Record of Projects Undertaken for Infrastructure Development and Strong Gearing & Debt Coverage Indicators. The rating however, is constrained by Geographical Concentration Risk, Customer Concentration Risk, Vulnerability of Profitability to Fluctuations in Raw Material Price and Competitive Nature of The Industry.

Key Rating Sensitivities:

Upward Factors

- Improvement in entity's scale of operations accompanied by improved profitability levels may lead to a positive rating action.

Downward Factors

- Negative pressure on GRTCPL's rating could arise in case of slow project execution or delay in collections, thereby weakening its liquidity position. Further, timely scale up



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of operations, steady progress across projects, along with timely release of payments, remain the key monitorable.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long Operational Track Record; Experienced Management

GRTCPL has an operating record of over 25 years and the directors, Nitin Barsainya & Kuldeep Singh Saluja, have more than two decades of experience in the construction industry. This has enabled Company to establish strong relationships with various counterparties including suppliers and customers.

Reputed Clientele

The Company has a strong client base catering to Government as well as Private clients. Company's clientele includes Government of India, NHAI, MP Housing Board, MPRDC, MP PWD, MP Gram Sadak Yojna, AKVN, Gannon Dunkerley, etc.

Robust Financial Risk Profile

The total operating income stood at Rs. 233 Crore in FY2020 (INR 159 Crore in FY2019) and EBITDA and PAT margins were at 8.46% & 3.63% respectively. The debt protection metrics is comfortable having Overall gearing ratio improved from 0.75x as at FY19 to 0.52x as at FY20 and long-term debt to equity ratio improved from 0.52x as at FY19 to 0.34x as at FY20. The Interest Service Coverage ratio is comfortable at 13.3x in FY20 against 9.96x in FY19.

Key Rating Weaknesses

Geographical concentration risk

GRTCPL is exposed to geographical concentration risk with majority of the past projects executed being in Madhya Pradesh. Also, the economic & political situation in M.P. is likely to affect the operations of the Company.

Customer Concentration risk



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Company's top five customers accounted for around 72% of the total revenue, reflecting high customer concentration risk for the company.

Vulnerability of profitability to fluctuations in raw material price

The raw materials required by the company are structural steel, cement, bitumen, asphalt whose prices are volatile in nature. Hence, the profitability of GRTCPL is exposed to variations in raw material prices.

Competitive nature of the industry

GRTCPL faces stiff competition in the construction business with the presence of a large number of players, having similar scale of operations. Moreover, the impact of Covid-19 pandemic on state government finances could constrain the timely release of dues in some of the firm's ongoing projects.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity – Adequate

The Company has been earning a comfortable level of GCA for the last few years and the same is expected to increase further with increase in scale of operations. The company maintains moderate cash and bank balance to meet its liquidity requirements. As at March 31, 2020, the company had cash & balance of INR1.35Crore. Average of maximum month-end CC utilisation stood at 84% over the last 12 months. Overall liquidity position is adequate.

About the Company

Gour Road Tar Coat Private Limited (GRTCPL) was established on November 11, 1991. It is involved in the business of Infrastructure development by executing various construction work; for both public & private owned road, bridges, tramways, dams, canals, sewage, drainage,



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sanitary works etc. as well as infrastructure development for commercial purposes. The Registered Office of the company is located at Jabalpur in Madhya Pradesh.

Financials (Standalone)*:

(In Crore)

For the year ended / As on	31-03-2018	31-03-2019	31-03-2020
	(Audited)	(Audited)	(Audited)
Total Operating Income	143.31	158.98	232.86
EBITDA	13.72	14.20	19.70
PAT	4.24	6.68	8.53
Total Debt	20.43	28.09	23.70
Adjusted Tangible Net-Worth	30.59	37.27	45.80
Ratios			
EBITDA Margin (%)	9.58	8.93	8.46
PAT Margin (%)	2.92	4.14	3.63
Overall Gearing Ratio (x)	0.67	0.75	0.52

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA:

India Ratings & Research, in its press release published on November 4, 2019 has migrated the case to Issuer Not Co-operating category; as the agency is unable to provide an update in the absence of adequate information to review the rating.

CARE Ratings, vide its press release dated July 03, 2020, had placed the rating of Gour Road Tar Coat Private Limited (GRTCPL) under the 'issuer non co-operating' category as GRTCPL had failed to provide information for monitoring of the rating as agreed to in its Rating Agreement.

Any other information: None

Rating History for last three years:



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Sr. No.	Name of Instrument/Facilities	Current Ratings (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.	Long Term Bank Facilities – Cash Credit	Fund Based	7.00	IVR BBB-/ Stable Outlook	IVR BBB-/ Stable (December 06, 2019)	--	--
2.	Proposed Long Term Bank Facilities – Cash Credit	Fund Based	3.00	IVR BBB-/ Stable Outlook			
3.	Short Term Bank Facilities – Bank Guarantee	Non-Fund Based	63.00	IVR A3	IVR A3 (December 06, 2019)	--	--
4.	Proposed Short Term Bank Facilities – Bank Guarantee	Non-Fund Based	27.00	IVR A3			

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	Size of Facility (Rs. Crore)	Maturity Date	Rating Assigned/ Outlook
Long Term Bank Facilities – Cash Credit	10.00* (Enhancement from INR 7.00 Crore)	N/A	IVR BBB-/ Stable Outlook
Short Term Bank Facilities – Bank Guarantee	90.00** Enhanced from INR 63.00 Crore)	N/A	IVR A3

*Including Proposed limit of INR 3.00 Crore

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