



## Press Release

### G.S. Express Private Limited

**December 31, 2020**

#### Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action
Long term Bank Facilities	50.00 (including proposed limit of Rs.5.00 crores)	IVR B+ / Stable Outlook (IVR Single B Plus with Stable Outlook)	Revised from IVR BB-; Issuer Not Co-operating and removed from Issuer Not Cooperating category
Short term Bank Facilities	100.00 (including proposed limit of Rs.20.00 crore)	IVR A4 (IVR A Four)	Reaffirmed and removed from Issuer Not Cooperating category
<b>Total</b>	<b>150.00</b> <b>(Rupees One hundred fifty crore only)</b>		

**Details of Facilities are in Annexure 1**

#### Detailed Rationale

The ratings assigned to the bank facilities of G.S. Express Private Limited(GSEPL) was in issuer not cooperating category earlier, however, the company has started cooperating with submission of required information for review of ratings and hence now it is removed from issuer not cooperating category. However, the revision in the ratings assigned takes into account continuous delay in project execution leading to delay in receipts and consequent adverse impact on the cashflows leading to poor liquidity position and moderation in total operating income in FY20. Moreover, the ratings remain constrained by its small scale of operations with geographical concentration risk, presence in highly fragmented & competitive road construction sector, susceptibility of operating margin to volatile input prices and working capital intensive nature of operations. However, the ratings are underpinned by its experienced promoters with long track record of operations, reputed clientele and Government's thrust on road infrastructure.

#### Key Rating Sensitivities:

##### Upward rating factor

- Timely execution of awarded projects and sustained growth in scale of operations with improvement in profitability



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- Improvement in the capital structure with overall gearing improved below 1.5x and efficient working capital management with no instances of overdraws
- Improvement in the operating cycle below leading to improvement in liquidity

### **Downward Rating factors**

- Delay in execution of awarded projects
- Moderation in scale of operations with moderation in profitability
- Deterioration in capital structure and continued working capital management stress

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Experienced promoters with long track record of operations**

GSEPL is headed by Mr. Sandeep Anand (son of Late Mr. G.S. Anand), Managing Director and Mrs. G.K. Anand (wife of Late Mr. G.S. Anand) having more than a decade of experience in the civil construction sector. They are well supported by a team of qualified and experienced professionals who looks after the overall operations of the company.

#### **Reputed clientele**

GSEPL mainly bids for tenders floated by various government departments/entities and is mainly engaged in road and building construction for various government departments through direct contracts. The scope of work of projects undertaken by GSEPL mainly entails widening, strengthening and improvement of existing roads where necessary regulatory clearances are already in place.

#### **Government's thrust on road infrastructure**

India has the one of largest road network across the world, spanning over a total of 5.5 million km with gradual increase in road transportation over the years attributable to improvement in connectivity between cities, towns and villages in the country. The government, through a series of initiatives, is working on policies to attract significant investor interest. A total of 200,000 km national highways is expected to be completed by 2022. GSEPL being mainly in road construction likely to be benefitted in near to medium term the increased thrust of the government in developing the road infrastructure.



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### **Key Weaknesses**

#### **Small scale of operations with decline in total operating income in FY20**

The scale of operations of the company remained small over the past three fiscals. Further, GSEPL's total operating income declined from Rs.107.00 crore in FY19 to Rs.85.67 crore in FY20 due to disruption in couple of projects as a result of political disturbance in project areas. However, the EBITDA of the company increased from Rs.16.85 crore to Rs.19.10 crore on account of lower raw material and labour costs. As a result of higher EBITDA, the PAT of the company was improved from Rs.0.28 crore in FY19 to Rs.2.09 crore in FY20 (Prov.). During H1FY21, the company has achieved a revenue of ~Rs.22 crore.

#### **Leveraged capital structure**

Due to its working capitalintensive nature of operations with higher reliance on bank borrowings the capital structure of the company continued to remain leveraged. The overall gearing was high at 2.17x but the long-term debt equity was comfortable at 0.60x, respectively, as on March 31, 2020 (provisional) as against 2.46x and 0.64x respectively as on March 31, 2019 (audited).

#### **Delay in project execution and delay in receipts adversely impacting the cashflows**

The company has an unexecuted order book position of ~Rs. 501 crore as on June 6, 2020 across 18 contracts which is about 6x of its FY20 (provisional) revenue. However, contracts amounting to Rs.195 crore which were due completion through 2017-2019 have not yet been executed and lacks clarity as to when the some would be completed. There has also been delay in receiving the payment towards the work being executed by the company due to which its working capital is stressed and is adversely impacting the cashflows of the company to carry on smooth operations.

#### **Geographical concentration risk**

The present order book of the company is skewed towards road construction in Uttar Pradesh and Chhattisgarh from various government departments indicating a sectorial and geographical concentration risk. The geographical concentration risk can be corroborated from the fact that the revenue of the company was impacted during the state elections in UP and Chhattisgarh.



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### **Highly fragmented & competitive nature of the road construction sector**

The domestic infrastructure/construction sector is highly crowded with presence of many players with varied statures & capabilities. While the competition is perceived to be healthy, significant price cut by few players during the bidding process is a matter of serious concern for the users with respect to quality of output.

### **Susceptibility of operating margin to volatile input prices**

The raw material & labour (including sub-contracting) cost forms the majority chunk of the total cost of sales for the last three years. As the raw material prices & labour (including sub-contracting) cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour (including sub-contracting) cost. However, presences of escalation clause (for raw materials) in most of the contracts protect the margin to an extent.

### **Working capital intensive nature of operations**

The operating cycle of the company further deteriorated and increased from 173 days in FY19 to 287 days in FY20 due to elongated collection period and high inventory days. The high credit period availed from the creditors supported the working capital requirements to an extent. However, the liquidity position of the company remained stretched with almost full utilisation of its working capital facilities during the last twelve months ended September 30, 2020.

### **Liquidity - Poor**

The liquidity position of the company continues to remain poor with fully utilized bank limits and instances of overdrawals. Further, the operating cycle of the company also remained elongated indicating a poor liquidity position.

**Analytical Approach:** Standalone

### **Applicable Criteria:**

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non- Financial Sector)



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### About the Company

Incorporated in 2006, by Late Mr. G.S. Anand, Lucknow (Uttar Pradesh) based G.S. Express Private Limited (GSEPL) is engaged in contract-based construction and renovation of roads and highways, irrigation work, etc. for various Government bodies/departments. The company is mainly in road construction and predominantly caters to the government contracts through tender participation in Uttar Pradesh and Chhattisgarh.

### Financials: Standalone

(Rs. crore)

For the year ended*/ As on	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	107.00	85.67
EBIDTA	16.85	19.10
PAT	0.28	2.09
Total Debt	70.81	73.13
Tangible Net worth	28.76	33.71
EBIDTA Margin (%)	15.75	22.29
PAT Margin (%)	0.25	2.42
Overall Gearing Ratio (x)	2.46	2.17

\*as per Infomerics standards

**Status of non-cooperation with previous CRA:** Vide the last press releases dated March 16, 2018 and September 25, 2019, ICRA and Brickworks Ratings respectively, have moved the rating to issuer non cooperating category due to non-submission of information.

**Any other information:** Nil

### Rating History for last three years:

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	Cash Credit	LT	50.00 (including proposed limit of Rs.5.00 crores)	IVR B+ / Stable Outlook (IVR Single B Plus with Stable Outlook)	IVR BB-; Issuer Not Cooperating (February 28,2020)	IVR BB/ Stable Outlook (July 15, 2019)	-
2	Bank Guarantee	ST	100.00 (including proposed limit)	IVR A4 (IVR A Four)	IVR A4; Issuer Not Cooperating	IVR A4 (July 15, 2019)	-



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			of Rs.20.00 crore)		(February 28,2020)		

**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](http://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
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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	-	-	-	50.00 (including proposed limit of Rs.5.00 crores)	IVR B+ / Stable Outlook (IVR Single B Plus with Stable Outlook)
Short Term Bank Facilities – Bank Guarantee	-	-	-	100.00 (including proposed limit of Rs.20.00 crore)	IVR A4 (IVR A Four)