

**Press Release**

**Gour Road Tar Coat Private Limited**

**December 06, 2019**

**Rating**

<b>Sr. No.</b>	<b>Instrument/Facility</b>	<b>Amount (INR Crore)</b>	<b>Rating Assigned</b>
1	Long Term (Fund based)	10.00*	IVR BBB-/ Stable Outlook; (IVR Triple B Minus with Stable Outlook)
2	Short Term (Non-Fund based)	65.00**	IVR A3 (IVR A Three)
<b>Total</b>		<b>75.00</b>	

\* Including Proposed limit of INR 5 Crore

\*\* Including Proposed limit of INR 22 Crore

**Details of facilities are in Annexure 1**

**Rating Rationale**

The rating derives strength from experienced directors, reputed clientele, improved financial performance, good order book position, past record of projects undertaken for infrastructure development, strong gearing and debt coverage indicators and favourable Government opportunities. 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 Rating Factor** - Improvement in entity's scale of operations & adequate cash flow generation and comfortable overall gearing & debt metrics of the Company may lead to a positive rating action.
- **Downward Rating Factor** - Any adverse change in the Government regulatory and environmental framework or policy or a decline in projects or tenders from Government, vulnerability of profitability to fluctuations in raw material prices or a sharp deterioration in leverage may lead to a negative rating action.

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

### **Key Rating Strengths**

#### ***Experienced Directors***

The Company [Gour Road Tar Coat Private Limited (GRTCPL)] started gaining momentum when Directors Nitin Barsainya & Kuldeep Singh Saluja brought in their professional skills & expertise. The Director Nitin Barsainya, being a civil engineer, having more than 25 years of experience in the construction industry operates as the Head of the Construction department & is regarded as the trendsetter in the Company. Director Kuldeep Singh Saluja, a mechanical engineer, takes charge as the Head of Mechanical department and with his technical expertise, is truly regarded the backbone of the Company.

#### ***Reputed Clientele***

The Company has a strong client base catering to Government as well as Private clients, viz. Government of India, NHAI, MP Housing Board, MPRDC, MP PWD, MP Gram Sadak Yojna, AKVN, Gannon Dunkerley, L&T, Mahindra, Tata, JCB, Shwing Stetter, Volvo etc.

#### ***Improved financial performance***

The total operating income of the Company has increased from INR ~143 Crore in FY18 to INR ~159 Crore in FY19, indicating a growth rate of ~11%. Accordingly, PAT has risen from INR 4.24 Crore in FY18 to INR 6.68 Crore in FY19, PAT margin in FY19 was 4.14%.

#### ***Good Order Book position***

As at November 2019, the Company has a healthy order book of INR 497 Crore which is 3.12 times of FY19 sales; of which work has been completed worth INR 185 Crore.

#### ***Past record***

GRTCPL is involved in the business of Infrastructure development by executing various construction work; for both public & private owned road, bridges, dams, canals, sewage etc. There are about 70 completed projects & several on-going projects under development. It has also started venturing into infrastructure development for commercial purposes.

## ***Strong gearing and debt coverage indicators***

The Overall gearing ratio of the Company was comfortable & further improved from 0.67x as at FY18 to 0.55x as at FY19. The long term debt to equity ratio also improved from 0.46x as at FY18 to 0.35x as at FY19. The interest coverage ratio was very comfortable at 4.85x in FY19 against 4.64x in FY18.

## ***Government opportunities***

The Govt. of India is expected to invest highly in the infrastructure sector, mainly highways, renewable energy and urban transport. Announcements in Union Budget 2019-20 include:

- The Government of India has given a massive push to the infrastructure sector by allocating Rs 4.56 Lakh Crore (US\$ 63.20 billion) for the sector.
- Rs 83,015.97 Crore (US\$11.51 billion) allocated towards road transport and highway.

Other opportunities:

- Only 24% of the National Highway network in India being 4-lane, there is immense scope for improvement.
- Initiatives like 'Housing for All' & 'Smart City Mission' will direct growth of the sector.
- 100% FDI is permitted through automatic route in the sector. The sector is one of the largest receivers of FDI inflows to India.

## **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***

The Company's top five customers accounted for around 79% 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 participates in the tenders passed by the government and private companies for civil and construction work. Thus it is exposed to tough competition from other similar players in the bidding process.

## **Analytical Approach & Applicable Criteria:**

- Standalone
- Rating Methodology for Infrastructure companies
- Financial Ratios & Interpretation (Non-Financial Sector)

## **Liquidity**

The group 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. The average utilization of working capital limits remained at 77.75% during the 12 months ended September 30, 2019. Overall liquidity position of the Company 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, 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)**

INR in Crore

For the year ended / As on	31-Mar-18 (A)	31-Mar-19 (A)
Total Operating Income	143.31	158.98
EBITDA	13.72	14.20
PAT	4.24	6.68
Total Debt	20.43	23.29
Tangible Net Worth	30.59	42.07
EBIDTA Margin (%)	9.58	8.93
PAT Margin (%)	2.92	4.14
Overall Gearing ratio (x)	0.67	0.55

\* Classification as per Infomerics' standards

**Details of Non Co-operation with any other 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 18, 2018, 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 and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement.

**Any other information: N.A.**

**Rating History for last three years:**

Name of Instrument/ Facility	Current Rating (Year: 2019-20)			Rating History for the past 3 years		
	Type	Amount outstanding (INR Crore)	Rating	Rating assigned in 2018-19	Rating assigned in 2017-18	Rating assigned in 2016-17
Fund Based Facilities	Cash Credit (CC)	10.00*	IVR BBB-/ Stable Outlook	--	--	--
Non-Fund Facilities	Bank Guarantee (BG)	65.00**	IVR A3	--	--	--
	<b>Total</b>	<b>75.00</b>				

\* Including Proposed limit of INR 5 Crore

\*\* Including Proposed limit of INR 22 Crore

**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. 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

Sr. No.	Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
1	Fund Based Cash Credit	--	--	--	10.00*	IVR BBB-/ Stable Outlook
2	Non-Fund Based Bank Guarantee	--	--	--	65.00**	IVR A3
<b>Total</b>					<b>75.00</b>	

\* Including Proposed limit of INR 5 Crore

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