

Press Release**GBC Infrastructure Pvt Ltd****February 28, 2020****Ratings**

Instrument / Facility	Amount (Rs. Cr)	Ratings	Rating Action
Long Term Bank Facilities	5.00	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Assigned
Short Term Bank Facilities	7.00	IVR A4+ (IVR A Four Plus)	Assigned
Total	12.00		

Details of Facilities are in Annexure 1**Detailed Rationale**

The aforesaid ratings assigned to the bank facilities of GBC Infrastructure Pvt Ltd (GBCI) derives comfort from its experienced promoters and long track record, proven project execution capability, reputed clientele, moderate order book giving visibility to revenue in the near to medium term and satisfactory financial risk profile marked by adequate liquidity, comfortable capital structure and satisfactory debt protection metrics. However, the rating strengths are constrained by its moderate scale of operations, susceptibility of its profitability to volatile input prices, tender driven nature of business in highly fragmented & competitive construction sector, regional concentration risk and its high working capital intensity.

Key Rating Sensitivities:**Upward Factor:**

- Growth in scale of operations with improvement in profitability on a sustained basis and consequent improvement in liquidity
- Sustenance of the capital structure
- Improvement in the operating cycle

Downward factor:

- Moderation in scale of operations and/or profitability impacting the liquidity profile or debt protection metrics
- Moderation in the capital structure with deterioration in overall gearing to more than 1.5x
- Lack of orders in hand

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters and long track record**

Mr. Partha Guha, managing director and a civil engineer by qualification, has over three decades of experience in the construction industry. This apart, other two directors are also having over a decade of experience in similar line of business. The operation of the company has started from 2004, thus enjoying a long and proven track record of operation.

- **Proven project execution capability**

GBCI has successfully completed many projects in and around West Bengal for various government departments and Non-government organisations. Thus, the company is enjoying a proven track record. In order to manage the projects in a better way and to grow in a balanced way, the promoters has a policy to take up short to medium tenure projects (1-2 years) and to handle limited number of projects at a time to ensure timely completion. The orders received repeatedly from its clientele validate its construction capabilities.

- **Reputed clientele**

GBCI undertakes to execute raw water treatment with treated water storage reservoirs related projects under Government sectors and Municipal authorities etc. All the projects are funded under Government departments, thus having minimal risk of defaults.

- **Moderate order book giving visibility to revenue in the near to medium term**

The company has got order in hand of Rs.10.05 crore as on January 31, 2020. This apart, there is one order of Rs.46.38 crore where the company has secured L1 status. The work order for the said assignments is expected to be issued by end of February, 2020. The orders are expected to be completed within next one-two years, indicating a satisfactory near to medium term revenue visibility.

- **Satisfactory financial risk profile marked by adequate liquidity, comfortable capital structure and satisfactory debt protection metrics**

Financial risk profile of the company is satisfactory market by its continuous growth in operating income at a CAGR of ~59% during FY17 to FY19 on the back of increase in order execution during the aforesaid period. The company has satisfactory profit margins, where EDITDA and PAT margin was at 24.42% and 17.57% respectively in FY19. The capital structure of the company also remained comfortable as on the past three account closing dates

with adequate debt coverage indicators and no long-term debt in the capital structure. Moreover, the overall gearing ratio and TOL/TNW also remained comfortable at 0.16x and 1.19x respectively as on March 31, 2019. Debt coverage indicators remained satisfactory marked by interest coverage ratio of 113.84x and Total debt to GCA was 0.28x in FY19. Liquidity ratios of the company has been satisfactory marked by current ratio at 1.41x and quick ratio at 1.40x as on March 31, 2019.

Key Rating Weaknesses

- **Moderate scale of operations**

The scale of operation of the company remained moderate with total operating income of Rs.75.28 crore in FY19. During 9MFY20, the company has earned operating income of Rs.34.58 crore. Going forward, Infomerics expects that the financial risk profile of GBCI to remain moderate on account of expected fall in turnover due to lack of orders in hand.

- **Susceptibility of profitability to volatile input prices**

Major raw materials used in construction activities are steel and cement which are usually sourced from large players at proximate distances. The input prices are generally volatile and consequently the profitability remains susceptible to fluctuation in input prices. However, presences of escalation clause in most of the contracts imparts comfort to an extent.

- **Tender driven nature of business in highly fragmented & competitive construction sector**

Execution risks for newly awarded projects in a timely manner will be key to achieving growth in revenues and profits. Business certainty is dependent on the ability to successfully bid for the tenders as entire business is tender based. The domestic infrastructure/construction sector is highly fragmented with presence of many players with varied statures & capabilities. Boom in the infrastructure sector, a few years back, resulted in increase in the number of players. 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.

- **Regional concentration risk**

GBCI is predominantly working in the state of West Bengal, hence has high degree of geographical concentration. However, long standing experience of the promoters in this segment and in the state of West Bengal imparts comfort.

- **High working Capital intensity**

Construction business, by its nature, is working capital intensive as a large part of working capital remained blocked in earnest money deposits, margin required for issuance of bank guarantees and holding retention money. The working capital requirement of the company is mainly funded through credit period availed from its creditors based on its established relationship and through bank borrowings. Further, the company has a strategy to take up short-medium duration contracts and optimize the execution time to realize the payments faster in order to manage working capital requirements efficiently. Average utilization of fund-based limit was around ~80% for the last 12 months ended January 31, 2020.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial sector)

Liquidity-Adequate

The liquidity profile of GBCI is expected to remain adequate marked by its expected satisfactory cash accrual of ~Rs.7.85 crore vis-a-vis its nil debt repayment obligations in FY20. Further, the company has no planned capex or availment of long-term debt which imparts comfort. However, the liquidity profile is restricted due to its working capital-intensive nature of operations.

About the Company

GBCI incorporated in April 2012 by one Guha family of Kolkata to initiate civil construction business. Initially the company started as a proprietorship entity in 2004. The company participates in Government tenders and engaged in civil construction works, primarily commissioning of water treat plants in and around West Bengal. Apart from water treatment plant, the company also works for setting up Raw water intake jetty cum pumping stations, construction of radial collector well, HT & LT Substations, pipe laying works by jack push technique, boundary walls, underground and overhead reservoirs.

Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2018	31-03-2019
	Audited	Audited
Total Operating Income	39.83	75.28
EBITDA	6.75	18.38
PAT	5.01	13.33
Total Debt	5.00	3.82
Tangible Net worth	9.86	23.19
EBITDA Margin (%)	16.95	24.42
PAT Margin (%)	12.43	17.57
Overall Gearing Ratio (x)	0.51	0.16

*as per Infomerics Standard

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Fund Based Limits	Long Term	5.00	IVR BB+/Stable	-	-	-
2.	Non-Fund Based Limits	Short Term	7.00	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.

Name and Contact Details of the Rating Analyst:

Name: Mr. Sanmoy Lahiri Tel: (033) 46022266 Email: slahiri@infomerics.com	Name: Mr. Avik Podder Tel: (033) 46022266 Email: apodder@infomerics.com
---	---

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.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

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 Fund Based Limits – Cash Credit	-	-	-	5.00	IVR BB+/Stable
Short Term Non-Fund Based Limits – Letter of Credit	-	-	-	2.00	IVR A4+
Short Term Non-Fund Based Limits – Bank Guarantee	-	-	-	5.00	IVR A4+